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ABSTRACT

This unit of study allows students and teachers to step back from the confusing media reports of the day-to-day turmoil in the former Soviet Union (FSU) and to examine it from a more thoughtful vantage point. The unit focuses on the most important instrument of U.S. policy toward the FSU--economic assistance. At the core of the unit are four distinct options for U.S. aid policy. Each option contains a different perspective on the threats and opportunities presented by conditions in the FSU. By exploring a spectrum of alternatives, students gain a deeper understanding of the values and assumptions underlying U.S. foreign aid programs. The background readings provide students with information to assess U.S. policy. Part 1 describes the political and economic context of the Marshall Plan adopted in 1948 in the aftermath of World War II, and calls on students to compare the situation in Western Europe at that time with the current state of affairs in the FSU. Part 2 traces the historical roots of the Soviet command economy, the failure of perestroika, and the course of political and economic reform in the former Soviet states. The unit contains a five-day lesson plan and student activities. Students assess the Marshall Plan, reflect on how people in the FSU view the changes affecting their lives, and role play a simulation in which students assume the role of advocates for the four options. On the final day of the lesson plan students develop coherent policy recommendations based on their own values and beliefs. (DK)

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CHOICES FOR THE 21ST CENTURY

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Changes In The Former Soviet Union: Debating U.S. Aid

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ALTERNATIVES FOR PUBLIC DEBATE AND POLICY DEVELOPMENT

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THE CHOICES FOR THE 21ST CENTURY EDUCATION PROJECT was established at the Center for Foreign Policy Development to help citizens think constructively about foreign policy issues, to improve participatory citizenship skills, and to encourage public judgment on policy priorities.

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for the 21st Century Education Project

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The Choices for the 21st Century Education Project develops curricula for high schools and colleges on current foreign policy issues and offers workshops, institutes, and in-service programs for high school teachers. Course materials place special emphasis on the importance of educating students in their participatory role as citizens.

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Note to Teachers

The end of the Cold War has stripped away the secrecy that once surrounded the politics and problems of the former Soviet republics. Information on the power struggle within the Russian government or the course of economic development in Central Asia is as close as the nearest television or newspaper.

The increased flow of news from the former Soviet Union (FSU), however, brings confusion. Boris Yeltsin is pitted against Ruslan Khasbulatov. Russians and Georgians trade accusations over Abkhazia. Leaders in Tatarstan demand greater autonomy. And Ukraine's president argues for Ukrainian control over the Black Sea fleet. Few Americans have the time and the background to keep up with the pace of events in the FSU. And yet, U.S. leaders view the region as an area of vital concern to the United States.

Changes in the Former Soviet Union: Debating U.S. Aid allows students and teachers to step back from the day-to-day turmoil in the FSU. The unit focuses on the most important instrument of U.S. policy toward the FSU — economic assistance. At the core of the unit are four distinct options for U.S. aid policy. Each option contains a different perspective on the threats and opportunities presented by conditions in the FSU. By exploring a spectrum of alternatives, students gain a deeper understanding of the values and assumptions underlying U.S. foreign aid programs. The background readings provide students with information to assess U.S. policy. Part I describes the political and economic context of the Marshall Plan, and calls on students to compare the situation in Western Europe after World War II with the current state of affairs in the FSU. Part II traces the historical roots of the Soviet command economy, the failure of *perestroika*, and the course of political and economic reform in the former Soviet states.

Changes in the Former Soviet Union: Debating U.S. Aid includes a five-day lesson plan and student activities. The unit opens with students assessing the Marshall Plan. Next, students are asked to reflect on how people in the FSU view the changes affecting their lives. The third and fourth days of the lesson plan feature a simulation in which students assume the role of advocates for the four options. On the fifth day, students develop coherent policy recommendations based on their own values and beliefs.

Below is an outline of the "Five-Day Lesson Plan" found on pages 25-27. The "Student Text" (pages 1-24) contains the background readings and the four options. The student activities follow the lesson plan.

Homework: Read Part I of the background readings and complete "Study Guide — Part I"

Day One: Analyzing the Marshall Plan
Homework: Read Part II of the background readings and complete "Study Guide — Part II"

Day Two: Assessing the reform process in the FSU

Day Three: Role playing the four options: organization and preparation
Homework: Complete preparations for the simulation

Day Four: Role playing the four options: debate and discussion
Homework: Read the four options, then fill out "Focusing Your Thoughts"

Day Five: Fleshing out policy
Extra Challenge: Write a letter on policy recommendations

Part I: Lessons from the Marshall Plan

Introduction

In March 1947, U.S. Secretary of State George C. Marshall met in Moscow with the foreign ministers of the Soviet Union, Great Britain, and France. As chief of staff of the U.S. Army during World War II, Marshall had worked with the Soviets, British, and French to defeat Nazi Germany and Japan. At the Moscow conference of the Big Four, however, Marshall realized that the wartime alliance could not meet the new set of challenges that lay ahead.

World War II profoundly changed the world. The great powers of Western Europe that had dominated international relations before the war – Great Britain and France – had been devastated. Nazi Germany's fearsome war machine had been smashed and its territory divided. In contrast, economic and military strength gave the United States unrivaled power. The end of the war, however, did not put an end to international tensions. Although it had lost more than 20 million people, the Soviet Union emerged from World War II militarily stronger than ever. In 1947, the Soviets occupied much of Eastern Europe and seemed increasingly mistrustful of the United States.

Marshall returned from Moscow in 1947 convinced that the United States had to take the lead in shaping a new world order. With the help of like-minded policymakers, he crafted a far-reaching economic aid plan to help Europe recover from the war. His proposal, titled the European Recovery Program but widely known as the Marshall Plan, was adopted in 1948. Over the next four years, the United States provided $12.5 billion (equal to about $70 billion in 1992 dollars) in aid to Europe. Nearly 6 percent of the U.S. budget at the time was devoted to the Marshall Plan. Moreover, the United States committed itself to a larger role in world affairs than ever before.

The Marshall Plan represented a crucial juncture in the history of U.S. foreign policy. The United States sought not only to help its traditional allies in Western Europe, but also to assist Germany, its former enemy. In terms of its overall goals, the plan aimed both to revive international trade and to strengthen democratic values in Europe.

The ambitious scope of the Marshall Plan has long attracted the attention of scholars and policymakers. Some see it as a model for other foreign aid programs. Others view the plan as applicable only to conditions in Western Europe after World War II. Since the collapse of the Soviet Union at the end of 1991, the Marshall Plan has acquired renewed importance for Americans.

As in 1947, a vital area of the world is today in transition. U.S. leaders have identified the political and economic turmoil within the fifteen states of the former Soviet Union (FSU) as our country's leading foreign policy concern. The situation in Russia has been particularly worrisome. In the early months of 1993, President Boris Yeltsin and leaders of the Russian parliament were deadlocked in a struggle for political power. Yeltsin claimed emergency powers to push forward his reform program, while his rivals in parliament took steps to remove him from office. Many Russians believed that their country's future could hinge on the outcome of the confrontation.

As the crisis in Russia and the other former Soviet republics has deepened, the debate over the U.S. role in the region has intensified. Participants on all sides of the debate agree that U.S. foreign aid policy is central to the discussion. How much, if any, foreign aid should be given to the FSU countries is the most obvious question. Just as important, however, are the questions of who should receive aid and under what conditions. Also, many Americans are reassessing the place of foreign aid in an era of budget cutbacks and urgent problems here at home. Election results in 1992 indicated that American voters have little enthusiasm for expanding foreign aid programs.

In this critical time, many U.S. policymakers are looking back to the Marshall Plan for guidance. What are the lessons to be drawn from the record of the Marshall Plan? How does the world of the late 1940s compare with the situation today? In the following pages, you will learn about the development and implementation of the Marshall Plan. As you read, keep these questions in mind.

Development of the Marshall Plan

On June 5, 1947, Secretary of State Marshall spoke at Harvard University's commencement. He chose the occasion to outline his proposal for establishing a U.S. aid program for Europe.

"It is logical that the United States should do whatever it is able to do to assist in the return of normal economic health in the world, without which there can be no political stability and no assured peace," Marshall said. "Our policy is directed not against any country or doctrine but against hunger, poverty, desperation, and chaos. Its purpose should be the revival of a working economy in the world so as to permit the emergence of political and social conditions in which free institutions can exist."

At the time Marshall introduced his proposal, the United States was generating half the world's income (compared to about one-quarter today). The United States had a $12.5 billion annual trade surplus (compared to an $87 billion U.S. trade deficit in 1991). But while the United States was prosperous and secure, many U.S. policymakers were concerned about the obstacles blocking Europe's economic recovery.

World War II had destroyed the underpinnings of the European economic system. Railroads, bridges, and ports were in ruins. The Soviet occupation of Eastern Europe had severed trade links on the continent. Moreover, European colonies in Asia and Africa had emerged from the war determined to achieve independence. They no longer could be counted on as a reliable source of trade and income for Great Britain, France, and other colonial powers. The war had also forced European companies to sell off many of their foreign investments, thus contributing to a further loss of income.

Even before the end of World War II, U.S. policymakers had been concerned that economic chaos in Europe after the war would undermine the U.S. economy. They feared that Europeans would not have enough income to buy American goods, and that the international trading system would collapse as a result. Fresh in the minds of U.S. leaders was the Great Depression of the 1930s. Americans believed that a decline in international trade had greatly contributed to the economic hard times and they were determined to prevent history from repeating itself.

Halladay in *The Providence Journal*, January 11, 1948

By 1947, many U.S. policymakers felt certain that the "dollar shortage" would soon choke off the ability of Europeans to buy American exports. They argued that the United States should give European countries aid to revitalize their export industries, so that Europeans could generate more dollars and boost their purchasing power. U.S. policymakers also hoped that aid would undercut the appeal of economic nationalism in Europe. In France, Germany, and other countries, economic nationalists pressed for high tariffs on imports and urged other policies that would protect local industries. They wanted government to play a major role in economic planning and trade management. In contrast, American leaders favored a much more open global economic system with few barriers to international trade.

Although economic reasons may have originally motivated plans to

aid Europe, political considerations gained increasing importance as U.S.-Soviet relations soured. U.S. leaders worried that poverty and despair would give communism a foothold in Western Europe. In Italy, for example, a coalition of communists and socialists captured nearly 39 percent of the vote in 1945 elections. At the same time, the Communist Party in France had almost 1 million dues-paying members. The communists in Italy and France were closely tied to the Soviet Union.

At the Big Four conference in Moscow in 1947, Marshall came to believe that the Soviets were trying to frustrate the economic recovery of Western Europe. Already, U.S. leaders had butted heads with Stalin over Soviet efforts to impose communist regimes in Eastern Europe. They had also raised strong protests to force Soviet troops out of northern Iran. A growing number of U.S. policymakers viewed the Soviet moves as part of a broad strategy to spread communism worldwide. They felt that a larger confrontation with Moscow was inevitable.

Only a few weeks before the Moscow conference, the British had informed President Harry Truman that they could not afford to maintain their presence in Greece and Turkey. At the time, the Greek government was fighting a civil war against communist forces, while Turkey was facing pressure from the Soviets to make territorial concessions. Truman recognized that Britain's retreat from the world stage would open up a huge power vacuum that the Soviets might seek to fill.

Truman felt that the United States had to assume a role of international leadership. On March 12, 1947, he requested that Congress approve his plan to assist Greece and Turkey. In what came to be known as the Truman Doctrine, the president asserted that "it must be the policy of the United States to support free peoples who are resisting attempted subjugation by armed minorities or by outside pressures."

The Truman Doctrine sharpened tensions between the United States and the Soviet Union. Nonetheless, a few months later the United States invited the Soviet Union and its Eastern European allies to take part in the proposed European Recovery Program. On June 27, 1947, foreign ministers from the Soviet Union, Great Britain, and France met to discuss the proposal. The British and French welcomed the plan and endorsed Marshall's call for European cooperation. The Soviets, however, rejected the cooperative approach on the grounds that it violated their country's sovereignty. They withdrew from the meeting, and later barred their Eastern European allies from participating in the plan.

Anti-communism proved a strong selling point of the Marshall Plan to the American public. After World War II, few Americans wanted to see their country prolong its involvement overseas. In Congress, Truman faced pressure to bring U.S. troops home quickly and reduce the defense budget. Foreign aid was a low priority. Before the announcement of the Truman Doctrine, the chairman of the Senate Foreign Relations Committee had told the president that the White House would have to "scare the hell out of the American people" to win passage of his aid request in Congress. The same urgency was attached to the Marshall Plan. To gain support for the proposal, the Truman Administration emphasized the importance of stopping the advance of Soviet communism in Europe.

Opponents of the Marshall Plan were unable to hold back the swell of anti-communist sentiment. Senator Robert Taft of Ohio warned that the Marshall Plan would inflate the budget. He also feared that confronting the Soviet Union would give the military too much influence. Henry Wallace, who served under Truman as secretary of commerce, argued that the president's policies would "divide Europe into two warring camps." He favored a more conciliatory approach toward the Soviets.

By the time the Marshall Plan came to a vote in Congress in April 1948, Soviet actions had bolstered the case of the program's supporters. Two months earlier, the Soviets had sponsored a coup to topple the government in Czechoslovakia. Even Taft voted for the Marshall Plan, and it passed both houses of Congress with huge majorities.

The Marshall Plan's impact

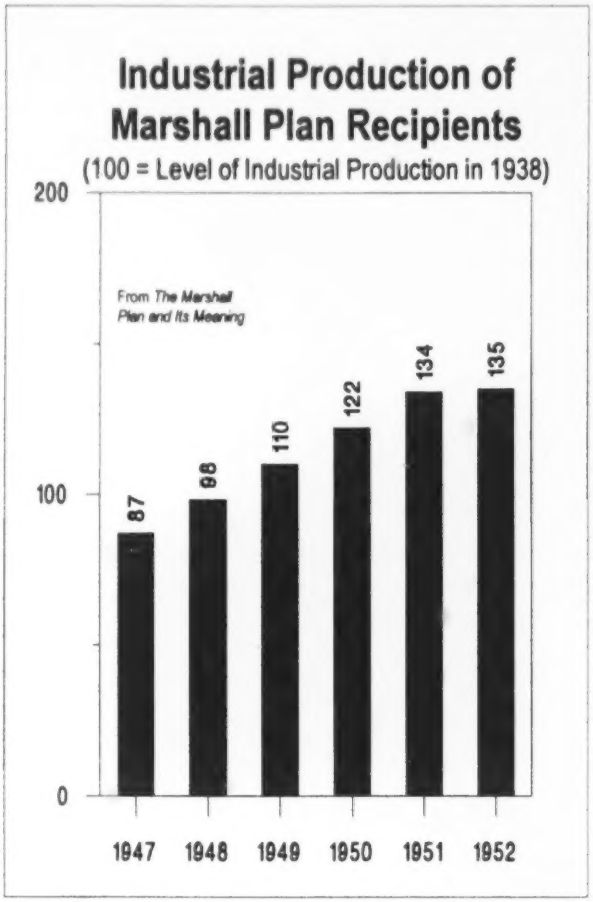
Europe in 1947 was a continent in crisis. In Germany, food rations provided people with only 1,500 calories per day (compared to an average American intake of 3,300 calories). Without German-built machinery, industry throughout Europe suffered. A severe winter found millions of Italians and French short of heating fuel, while a summer drought resulted in one of the worst grain crops in years. Although an economic recovery was underway, many expected it to stall without outside help.

In early 1947, U.S. leaders hoped that two newly created international financial institutions — the International Monetary Fund (IMF) and the World Bank — would oversee Europe's recovery. The United States had been largely responsible for establishing these institutions at the end of the war to help European countries pay for vital imports and rebuild their economies. In addition, the United States directly gave France, Italy, and Austria $522 million in emergency relief aid in the fall of 1947.

As Congress debated the Marshall Plan in early 1948, however, U.S. leaders increasingly came to believe that a large-scale, long-term approach was needed to ensure Europe's recovery. Moreover, they recognized that the United States would have to take the lead. At the same time, U.S. leaders did not want to create the impression that the United States was meddling in European affairs. In introducing his plan, Secretary of State Marshall had stressed that the United States would not draw up an aid program on its own for Europe. "This is the business of the Europeans," he said. "The initiative, I think, must come from Europe."

The Marshall Plan functioned as a partnership between the United States and sixteen European nations. At the outset of the program, each European country submitted a four-year plan for reviving its economy. Americans administering the Marshall Plan acted almost as bankers, by investing in projects that were most likely to increase industrial and agricultural production. Of the $12.5 billion spent between 1948 and 1952, over 90 percent was in the form of grants — aid that the recipient is not expected to repay. As U.S. leaders had intended, much of this money was spent on American goods.

The Marshall Plan also extended to European colonies in Asia and Africa. Before the war, the colonies had generated income for European countries. European companies controlled industries in the colonies that exported gold, oil,



rubber, and other raw materials. Reviving the export trade of the colonies, U.S. leaders hoped, would help Europe pay for imports. The end of the war, however, had raised expectations among colonial peoples for political independence. In the three leading colonial exporters of raw materials — British Malaya (now Malaysia), Dutch Indonesia, and French Indochina (now Vietnam, Cambodia, and Laos) — armed struggles against European imperialism erupted after the war.

The United States had both economic and political interests in Asia, Africa, and other areas of what came to be known as the Third World. From an economic perspective, U.S. leaders wanted to ensure that U.S. industry had access to the raw materials of the Third World. Politically, they sought to stop communists from gaining power as European empires crumbled.

Marshall Plan aid served as an important tool of U.S. policy in the Third World. In the case of Indochina, where the French were fighting Vietnamese rebels, U.S. aid helped the French maintain the war effort. In contrast, the United States threatened to reduce aid to the Netherlands unless the Dutch recognized the independence of Indonesia. U.S. concern about the spread of communism accounted for the difference in policy. In Indochina, the United States feared that Vietnamese forces led by Ho Chi Minh would replace French colonialism with Soviet communism. In Indonesia, however, the United States believed that nationalist leaders there would resist the advance of communism. The same focus on halting the spread of communism led the United States to provide the Philippines, Taiwan, South Korea, and Turkey more than $2 billion in military and economic assistance during the period of the Marshall Plan.

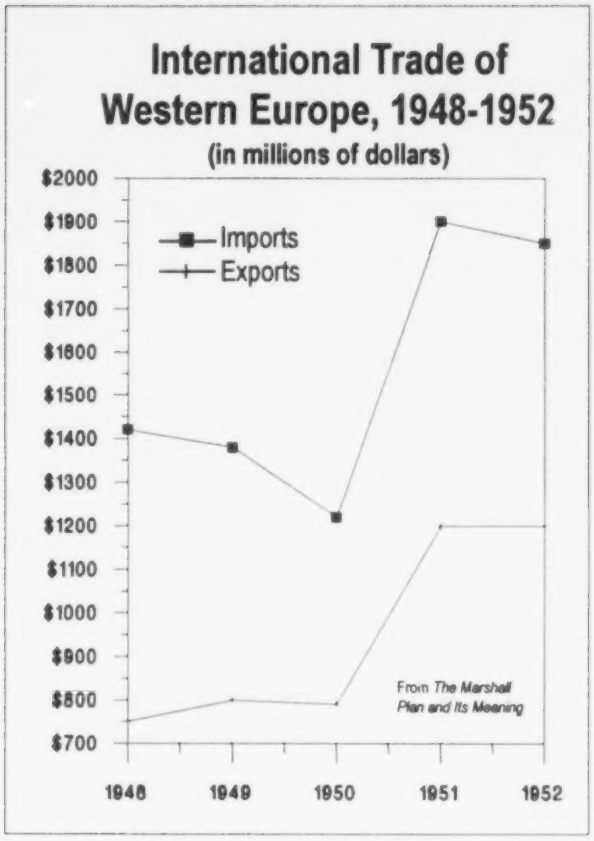
Ultimately, the Marshall Plan was judged a success for meeting the political goals of the United States. By the time the program ended in 1952, the United States was locked in a bitter Cold War against the Soviet Union. The Soviets were tightening their grip over Eastern Europe by forming a communist trading bloc largely closed to the outside world. In Korea, American troops were fighting communist North Korean and Chinese troops.

As part of its worldwide strategy to contain communism, the United States needed a strong alliance with Western Europe. By 1952, non-communist governments were securely in power throughout the region. West Germany had rejected its Nazi past and had established a solid democratic foundation. In 1949, ten Western European countries, the United States, and Canada formed the North Atlantic Treaty Organization (NATO) to defend Western Europe against the threat of Soviet aggression. Compared to the situation of 1947, Western Europe in 1952 was in a much better position to stand up to Moscow.

In economic terms as well, Western Europe had advanced considerably. By 1952, industrial production in the Marshall Plan countries had risen to more than 35 percent above prewar levels. Agricultural output was up 10 percent. Moreover, inflation had been brought under control. Europeans who remembered the economic troubles that followed World War I, especially the runaway inflation of Germany, were impressed by the progress.

Many of the Marshall Plan's original economic goals, however, had not been completely fulfilled. Western Europe's trade deficit with the United States in 1952 had not narrowed considerably. Unemployment continued to be widespread, and the countries of the region had done little to reduce trade barriers among themselves. Most Western European countries remained dependent on U.S. aid. As the Marshall Plan came to a close in 1952, U.S. policymakers created the Mutual Security Agency (MSA) to maintain the flow of aid to Western Europe. During the 1950s, the MSA provided mostly military aid to European members of NATO. Measured in dollars spent, MSA aid actually surpassed the efforts of the Marshall Plan.

By the mid-1950s, Western Europe had achieved the economic stability envisioned by the originators of the Marshall Plan. Led by the West German "economic miracle," European industries regained their competitiveness in the global market. In 1957, West Germany, France, Italy, Belgium, the Netherlands, and Luxembourg formed the European Economic Committee (EEC). The EEC reduced barriers to trade among participating countries and served as the forerunner to the twelve-member European Community (EC) that exists today.



Considering the Marshall Plan today

The Marshall Plan stands out as a bold step in American foreign policy. The program not only committed billions of dollars in U.S. aid, but also placed the United States at the center of international affairs. The results of the Marshall Plan convinced many Americans that the United States should have undertaken a similar approach after World War I.

Today, the United States has reached another crossroads not unlike those faced by Americans at the end of World War I and World War II. Again, the United States has emerged victorious from a momentous conflict — in this case the Cold War against the Soviet Union. Again, the struggle has left in its wake economic chaos and human suffering. What, if anything, should we learn from the Marshall Plan in charting U.S. foreign policy in today's world? How does the global political situation of 1947 compare with the international environment of 1993?

As you read, the Marshall Plan was crafted with the Soviet menace in mind. Today, no country has the capacity to threaten U.S. interests as the Soviet Union did in 1947. Meanwhile, the position of the United States has changed as well. In 1947, the United States recorded surpluses in international trade and the government budget. Today, our country is the world's biggest borrower and suffers from record budget deficits. In at least one respect, however, the world is not that much different. As in 1947, the United States today is the only global superpower. The U.S. economy is nearly twice as big as the economy of our nearest competitor, and in 1992 the United States led the world in exports. Nations throughout the world still look to the United States to take the lead in the international arena.

From an economic standpoint, the U.S. concerns that led to the Marshall Plan are not as urgent today. Although the economic problems of the FSU are severe, the U.S. economy does not face the type of threat posed by the crisis of postwar Europe. Because the Soviets maintained a closed economic system, there are few trade links between the United States and the former Soviet republics. In 1991, for example, U.S. trade with the Soviet Union and its former satellites in Eastern Europe equalled $6.6 billion, while U.S. trade with the European Community topped $189 billion. Other than in the areas of oil and other raw materials, the economies of the FSU are not plugged into the global economic system.

Moreover, the economic system of the FSU is very different from that of postwar Western Europe. Even as they were clearing away the rubble of World War II, Europeans enjoyed advantages that are not available today to people in the FSU. Western Europeans in 1947 had a banking system, stock markets, an insurance industry, and other financial institutions essential to a free-market economy. They had also been world leaders in scientific advancement and technological innovation. The only real ingredient missing for economic recovery was the investment supplied by the Marshall Plan.

In contrast, the countries of the FSU only now are being introduced to the concept of free-market economics. And while Soviet scientists produced world-class research in many fields, the closed nature of the Soviet system left most areas of the economy decades behind advanced countries. Outside investment might help industries in the FSU

catch up with their competition. In some regions, progress in creating free-market institutions has already been encouraging. Few experts, however, expect quick results.

In terms of U.S. security, the threats raised by the old Soviet Union continue to shape today's debate on aid to the FSU. As in 1947, U.S. policymakers are again worried about the consequences of economic chaos and political anarchy. In addition, they must also take into account the existence of 30,000 nuclear warheads within the FSU. A breakdown of authority in the region could undermine the safeguards placed on nuclear weapons. Especially frightening is the possibility that nuclear materials or technology could fall into the hands of terrorists or aggressive dictators.

Other observers stress the historical parallels between today's FSU and Germany in 1947. Both countries were once enemies of the United States. In Germany, World War II left bombed-out cities and more than four million dead. U.S. aid helped the country lift itself out of desperate conditions and construct a stable democracy. While the Cold War did not produce death and destruction in the FSU, the people in the former Soviet republics must cope with overcoming the failures of the communist system. Many observers believe that clearing away the wreckage of the Soviet past presents a much tougher challenge than rebuilding postwar Germany.

Unlike 1947, the United States can now claim strong and wealthy allies around the world. In 1993, the United States is expected to spend nearly $14 billion in foreign aid. Japan's foreign aid budget has approached U.S. levels in recent years, while the countries of the European Community have together spent nearly twice as much for foreign aid as the United States. Aid programs to the FSU, in whatever form, have been and will likely continue to be cooperative international efforts. Nonetheless, as in the time of the Marshall Plan, the role of the United States will be crucial.

The Former Soviet Union

Part II: The Former Soviet Union in Transition

Introduction

On December 31, 1991, the Soviet Union officially came to an end. Two days later, Russia, the largest of the states to emerge from the former Soviet Union, lifted price controls on 90 percent of the goods sold in the republic. Overnight, prices soared 250 percent. Many of Russia's neighbors in the former Soviet Union (FSU) freed prices as well.

For average people in the FSU, economic reforms added to their daily hardships, even as they raised hope for the future. Most families were forced to spend a greater percentage of their income on necessities. On the other hand, highly prized goods such as smoked pork and premium sausage appeared on store shelves for the first time in years. Meanwhile, cities and towns throughout the FSU were filled with sidewalk vendors selling everything from used clothes to imported cigarettes to homemade preserves.

Since the beginning of 1992, the fifteen new states of the FSU have been caught up in the turmoil of economic and political change. Russia and some of its neighbors have taken bold steps toward establishing a free-market economic system and democratic institutions. In other republics, leaders have tried to slow the pace of change and keep political power in the hands of those who dominated the old communist system. At the same time, trade among the countries of the FSU has plunged, while thorny international disputes have arisen.

Whatever their differences, the fifteen new states all share a common past as republics of the Soviet Union. Many of the problems they face today have their roots in the economic system of the Soviet Union. Understanding the connection between Soviet history and today's economic troubles is crucial not only for the people of the FSU, but also for Americans considering our country's policy toward this critical part of the world.

Origins of the Soviet economic system

The communists came to power in Russia in 1917 with the promise of carrying out an economic revolution on behalf of workers and peasants. Lenin, the founder of the Soviet Union, placed leading industries under state control. More important was the role of Josef Stalin, ruler of the Soviet Union from 1928 to 1953. Stalin created an economic system that largely remained in place until the late 1980s. He was a ruthless dictator. He believed that the Soviet Union had to industrialize at all costs in order to defend communism against the capitalist countries of Europe.

To achieve his goals, Stalin established a command economy. Under his rule, government planners in Moscow sought to control all aspects of economic activity and to direct the distribution of goods for the whole country. Few details escaped Moscow's attention. Soviet bureaucrats, for example, set quotas on how many tons of cotton were to be produced per acre in the Central Asian republic of Uzbekistan, decided how much milk grocery stores in Belarus received, and determined the number of apartments to be built in Russia.

Industrialization in the Soviet Union was accomplished at a staggering human cost. At least 10 million Soviets died under Stalin's regime. Peasants suffered the most. Stalin's policies forced them to give up their land and join huge state-run farms. The crops they produced were exported to pay for imports of machinery or sent to feed the growing labor force in the cities. Little remained in the countryside. Peasants who resisted the collectivization of agriculture were killed or exiled to Siberia. In addition, the prison camps in Siberia were filled with millions of other Soviets, the vast majority of whom were innocent victims of Stalin's campaign of terror. Prison labor was used to build much of Siberia's transportation network, as well as to work the mines and oil fields of the region.

Stalin succeeded in making the Soviet Union into an industrial giant. By the time of his death, the Soviet economy was second in size only to that of the United States. Stalin's creation, however, reflected the priorities of the Soviet dictator. Spending on the military during the four decades of the Cold War years consumed more than 15 percent of Soviet gross national product (GNP)* annually, compared with around 5 percent of GNP

* – GNP is the total value of goods and services produced in a country during one year.

in the United States. Agriculture never recovered from collectivization, and by the 1970s the Soviet Union needed to import millions of tons of grain every year.

When Mikhail Gorbachev came to power in 1985, many Soviets hoped that their lives would change for the better. Gorbachev represented a new generation within the Soviet leadership. Stalin had driven economic growth by harnessing his country's huge reserves of labor and raw materials. Gorbachev recognized that in the 1980s technological innovation and individual initiative should be the engines of economic growth. He was especially concerned that without change the Soviets would be unable to match the high-tech weaponry being developed by the United States.

Gorbachev's economic reforms, however, failed to solve the country's problems. Under Gorbachev's program of *perestroika* (restructuring), Moscow's control of the Soviet economy was relaxed. Factory managers and farm directors were given greater decision-making power. The Soviet Union also became more open to foreign investment. But *perestroika* was still a halfway measure. Gorbachev feared that lifting price controls and taking other measures to create a free-market economy would turn people against the Soviet system and undermine the authority of the Communist Party. He also balked at giving farmers the right to own their own land.

By 1990, the Soviet economy was in a tailspin. The country's GNP fell 8 percent that year. The next year it dropped 19 percent. Instead of sparking initiative, *perestroika* contributed to a breakdown of the framework that held together the Soviet economy. In the Soviet system, factories throughout the country were linked. For example, the production of televisions in Belarus depended on the supply of electric switches from Armenia, which in turn required raw materials from Central Asia and Russia. As strikes and unrest struck various regions of the Soviet Union, the problems set off a chain reaction that crippled the entire economy.

The Republics of the Former Soviet Union

Republic	Population (1991)	Area in square miles	Production as a % of Soviet total (1990)	Per capita income as a % of Soviet average (1988)	Trade as a % of gross domestic product (1988)
Russia	148,500,000	6,590,950	61.2%	110%	22%
Ukraine	51,800,000	233,144	16.2%	96%	34%
Uzbekistan	20,300,000	172,542	3.2%	62%	40%
Kazakhstan	16,700,000	1,048,762	4.6%	93%	34%
Belarus	10,300,000	80,288	4.0%	102%	51%
Azerbaijan	7,100,000	33,582	1.5%	71%	42%
Georgia	5,500,000	27,020	1.5%	108%	44%
Tajikistan	5,300,000	55,198	0.8%	54%	42%
Kyrgyzstan	4,400,000	76,814	0.8%	72%	45%
Moldova	4,400,000	13,464	1.3%	84%	53%
Lithuania	3,800,000	25,170	1.4%	114%	55%
Turkmenistan	3,600,000	188,368	0.7%	71%	39%
Armenia	3,300,000	11,580	0.9%	86%	55%
Latvia	2,700,000	24,900	1.2%	123%	55%
Estonia	1,600,000	17,413	0.7%	133%	64%

What ultimately brought about the collapse of the Soviet Union, however, was pressure in the republics to break away from Moscow's control. The Soviet Union was made up of fifteen republics. Russia was by far the biggest of these – comprising about three-quarters of the territory and half the population – but the peoples of the smaller republics also wanted to govern their affairs. The struggle between the forces favoring a strong centralized union and those seeking greater independence for the republics reached a climax in August 1991, when hard-line communists seized power in a desperate effort to reassert Moscow's authority. The coup, however, fell apart after three days. Russia's president, Boris Yeltsin, was credited for rallying support against the coup plotters. He also led the drive to strip the Communist Party of power in the final months of 1991. Russian officials took control of many of the central government's main institutions and claimed the Soviet Union's permanent seat on the United Nations Security Council. As the Soviet Union unraveled, each of the republics declared independence.

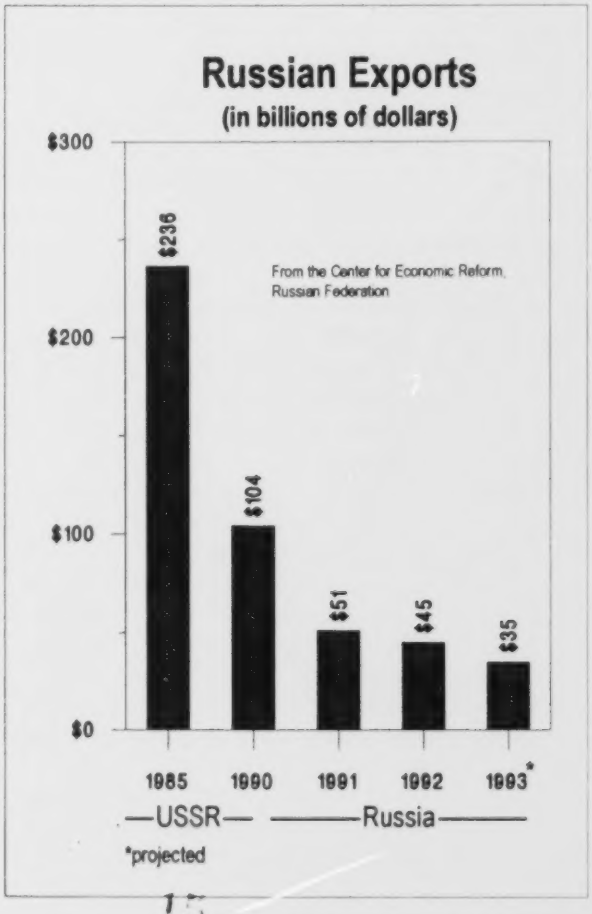
Russia undergoes economic reform

As the former Soviet republics entered 1992, Russia and Boris Yeltsin were again at the center of attention. Yeltsin had decided to introduce a bold plan for economic reform in Russia. Rather than repair the centralized economy that had broken down under Gorbachev, Yeltsin set out to lay the foundations for a free-market economic system. To implement his plan, Yeltsin assembled a team of young economists led by Yegor Gaidar.

The "Boys in Reeboks," as they were known, were strong believers in free-market economic theories. Mostly under age 35, the economists worked closely with experts in the United States and Western Europe to swiftly dismantle the old Soviet system. The program they implemented in the early months of 1992 was termed "shock therapy." As proposed by Gaidar, shock therapy was to be a short-term policy of economic adjustment. First came the removal of price controls on all but the most basic goods, such as bread, milk, yogurt, baby food, and vodka.

Freeing prices was closely tied to the second goal of shock therapy – stabilizing Russia's finances. Under the Soviet system, the government controlled both the production and sale of most food items. Prices were lower than actual production costs. Allowing prices to rise saved the Russian government billions of rubles. Stabilizing Russia's finances, however, required much more than freeing prices. Deep cuts in the military and in government subsidies to state-run industries were also called for in Gaidar's plan.

In the Soviet era, half of Russia's industrial output came from huge firms with more than 8,500 workers. These giants were particularly wasteful of raw materials and energy. For example, the Soviet Union used 80 percent more steel than the United States, even though its economy was less than half the size of the U.S. economy. Curbing government subsidies was necessary not only to reduce government spending and restrain inflation, Gaidar maintained, but also to encourage innovation and initiative. Cut off from government support, industries would have to either sink or swim, Gaidar believed. In 1992, a few companies indeed made strides toward entering the world market. Managers at a factory that made launchers and fuel systems for missiles



found new uses for their technology. Instead of military hardware, they began producing equipment for logging, tractors, and refrigeration systems for food processing.

Stabilizing Russia's finances, Gaidar felt, demanded the creation of a new generation of capitalists in the country. In the Soviet Union, the state owned everything from large factories to small stores and restaurants. Gaidar felt that cutting the tie between the state and industry was necessary to destroy the power base of the hard-line communists who still controlled much of the economy and blocked reform. Placing companies in the hands of private owners would do away with the notion that the government was responsible for supporting individual firms. Once this process of privatization was complete, Gaidar reasoned, turning back the clock to the days of communism would not be possible. Moreover, private owners would have a stake in running their companies efficiently. By February 1993, 45,000 small enterprises had either been sold or simply handed over to private owners.

The Gaidar team recognized that the privatization of large companies would be particularly difficult. Nonetheless, the government pressed ahead with an ambitious plan. First, state-run enterprises were required to organize themselves as joint stock companies. As in the United States, ownership of Russian firms was to be in the hands of stockholders. In most companies, shares of stock were bought up by managers, workers, and special trust funds connected to the government. In October 1992, the Russian government gave each of its citizens a voucher worth 10,000 rubles (the equivalent of about $25 at the time) to invest in firms selling shares to the public. Despite widespread confusion, the fact that some companies opened themselves up to private investment marked an important milestone. Russian officials estimated that by the end of 1993, half the country's large firms would be reorganized as joint stock companies.

Foreign advisers

Although Gaidar was seen as the architect of Russia's shock therapy, much of the direction came from experts and institutions outside of the FSU. Most important was the influence of the International Monetary Fund (IMF) and the World Bank. After aiding Europe's recovery following World War II, the IMF and the World Bank had turned their attention mainly to the developing countries of Asia, Africa, and Latin America. Officials of the two financial institutions pressured aid recipients to reduce government control over the economy and adopt free-market principles.

The IMF played a major role in redirecting the economies of Latin American countries in the early 1980s. Brazil, Mexico, Argentina, and other nations in the region had run up huge debts. In exchange for short-term loans from the IMF, Brazilian, Mexican, and Argentinian leaders agreed to follow a strict program of economic belt-tightening. Imports were slashed and government spending cut. In addition, Latin American governments were expected to privatize state-run firms and hold down wages. Although many Latin Americans blamed the IMF program for causing a drop in industrial output and a rise in unemployment, IMF officials insisted that it was necessary to curb runaway inflation and restore long-term economic health.

According to defenders of the IMF's policies, the rules of economic reform are the same whether applied to Latin America or the FSU. To support their argument, they point to the case of Poland. In 1990, the Poles adopted shock therapy to navigate the transition from a centrally planned communist system to a free-market economy. Wages and production fell during the first two years of reform, but in 1992 the Polish economy began growing. Private companies accounted for about half of economic output. As in Russia, big, state-run industries were the chief obstacles to reform.

The United States applauded Russia's initial move to follow the path of Poland. In April 1992, the United States and six of its leading allies pledged $24 billion in economic assistance for Russia. The U.S. contribution to the aid package totaled $4-6 billion, and included earlier U.S. initiatives to the FSU countries to help them pay for American grain, dismantle nuclear weapons, and promote democratic and free-market reforms. The international aid package, however, came with strings attached. To be eligible for assistance, Russia was expected to stay the course of shock therapy. In 1992, for example, Russia received about $10 billion, almost all of it in the form of short-term loans that Russia has been unable to repay. Meanwhile, the IMF has withheld aid for the economy's long-

term revitalization. IMF officials contend that the aid will be wasted unless the Russian government controls its budget deficit and restructures the economy.

Reform at the crossroads

According to the IMF's scorecard, shock therapy in Russia stalled before achieving its mission. Price controls were lifted, but Gaidar's program failed to clear the most important hurdle – stabilizing Russia's finances. From the outset, Gaidar recognized that shock therapy would meet fierce resistance. Many of the strongest opponents were members of Russia's parliament. Throughout much of 1992, they pushed for continued government subsidies to Russian industries. Although Gaidar argued against retreat, the government was forced to back away from many of its original goals. By the summer, government presses were working overtime to print money so that managers of state-run factories could pay their workers. But while the supply of money increased, production fell. The result was skyrocketing inflation.

As 1992 closed, both supporters and critics of Gaidar's plan agreed that Russia had undergone a bruising year. Prices on consumer goods had increased 25 times. Production had fallen by about 20 percent, while the buying power of workers had dropped by more than 40 percent. But whereas Gaidar viewed the economic pain as an inevitable step in the process of economic restructuring, his opponents saw shock therapy as a road to disaster.

Foremost among Gaidar's critics was Arkady Volsky. An engineer by training, Volsky directed a huge automobile factory in Moscow before serving as an economic adviser to Soviet leaders in the 1980s. After the collapse of the Soviet Union, he emerged as the head of an organization representing the interests of factory managers in many of Russia's biggest industries. Although Volsky recognized that going back to the Soviet system was not possible, he objected to the relentless pace of shock therapy. Volsky wanted to slow the reform process, despite warnings from IMF officials that applying the brakes would only drag out the painful transition. In particular, Volsky favored maintaining the flow of state subsidies to crucial sectors of the economy, such as the energy industry and high-tech fields.

Volsky's message struck a responsive chord among millions of Russian workers who feared losing their jobs. To average Russians, unemployment is almost unthinkable. The Soviet system not only guaranteed everyone a job, but tied employment to housing, health care, special deliveries of food, and other benefits. Even though many factories could easily do without thousands of employees, both workers and managers have fought to preserve the old economic system.

As a result of complaints from Volsky's allies in the Russian parliament and widespread public discontent, President Yeltsin was forced to replace Gaidar as prime minister in December 1992. Russia's new prime minister favored slowing the reform process. He proposed reimposing price controls on some goods and maintaining subsidies to big industries. The debate over economic reform in Russia, however, is far from resolved. Supporters of shock therapy insist that continued government

Mike Keefe in *The Denver Post.*

subsidies to inefficient, money-losing firms will only feed inflation. These enterprises, say reformers, must either become competitive or shut down. In contrast, opponents of shock therapy contend that the government must protect Russian industry from total collapse. According to Volsky, Russia's top priority should be "to stop the avalanche-like decline in production."

The direction of Russia's economic reform was a central theme of the confrontation in March 1993 between President Yeltsin and his opponents in the Russian parliament. Yeltsin's foes failed in their efforts to impeach the Russian president. Nonetheless, the political gridlock paralyzed the central government.

Although each of the non-Russian republics of the FSU has developed its own economic policies, they all have been deeply affected by the pace of reform in Russia. When Russia lifted price controls in January 1992, for example, other republics quickly followed their huge neighbor, fearing that producers would take their goods to Russia to take advantage of higher prices. Moreover, the ruble is still the standard currency in most of the FSU. In each republic, governments have contributed to inflation in the FSU's ruble economy by propping up big factories with subsidies.

But while the republics of the FSU are bound together by the ruble and the Soviet past, there has been little effort among them to coordinate economic policy. Gaidar's shock therapy was not adopted in most other republics. In Central Asia, for example, government leaders have been reluctant to dismantle the old command economy. In Ukraine, the second most populous state of the FSU, the government has likewise made few moves toward economic reform. Nonetheless, the drop in output in Ukraine during 1992 was greater than that of Russia. Meanwhile, in Estonia, Latvia, Lithuania, and Moldova — countries where economic reform got off to a fast start in 1992 — the transition to the free market has bogged down.

The FSU powder keg

Many of the economic problems of the FSU are linked to the drastic decline in trade among the former Soviet republics. Leaders in each of the fifteen new states feel that their republic was exploited by the Soviet system. In the non-Russian republics, anger is often directed at the old central government's economic mismanagement and disregard of local concerns. Meanwhile, many Russians believe that the resources of their homeland were squandered to develop the economies of the non-Russian republics. With the collapse of the Soviet Union, resentments among Russians and non-Russians alike have influenced the foreign relations of the new states.

Potentially, the most explosive issue is Russian-Ukrainian relations. Since the breakup of the Soviet Union, Russia and Ukraine have butted heads over how the Soviet armed forces should be divided among the republics. Ownership of the Black Sea fleet has been a particularly thorny subject. In addition, Russian nationalists have pressed their leaders to claim control of the Crimean peninsula in the Black Sea. The Crimea, where a majority of the people are Russian, was officially transferred from Russia to Ukraine in 1954.

Further straining Russian-Ukrainian relations is the presence of nuclear weapons. There are nuclear weapons in four states of the FSU: Russia, Ukraine, Kazakhstan, and Belarus. Eighty-five percent of the FSU's long-range nuclear missiles are in Russia, but that still leaves sizeable forces in the other three republics. By early 1993, both Kazakhstan and Belarus had agreed that the nuclear weapons on their soil could be returned to Russia as part of a historic U.S.-Russian agreement to reduce the number of nuclear arms. In connection with the arms reduction agreement, the United States set aside $800 million to assist the FSU in dismantling nuclear weapons. Ukraine, however, has not ratified the treaty. Since declaring independence, Ukrainian leaders have pledged to rid their country of nuclear weapons. At the same time, they have insisted that the United States or other countries guarantee Ukraine's security, and pay to dismantle the nuclear weapons on Ukraine's soil.

Russia's relations with the other countries of the FSU are complicated by the existence of 25 million Russians who live outside Russia's borders. In Kazakhstan, ethnic Russians constitute nearly 40 percent of the population. In Moldova, they have fought to carve out an independent republic in the area where they predominate. Elsewhere in the FSU, Russians have complained that the new states

discriminate against them. Russian nationalists have called on President Yeltsin to take strong action to protect Russians living outside their homeland.

Within Russia, officials are concerned about the threat of fragmentation. Among Russia's 148 million people, there are 27 million non-Russians. Many of the minority groups continue to live on their native lands in twenty local republics within Russia. In the case of oil-rich Tatarstan, a republic the size of West Virginia, local officials have pressed for greater control over Tatarstan's resources. Even in ethnically Russian areas, officials have sought to exercise more control over their local economies. For areas with abundant reserves of oil, diamonds, gold, and other raw materials, the lure of quick wealth has led some local officials to try to distance themselves from the central government. Meanwhile, officials in industrial regions fear that a breakdown of central authority would deprive them of the raw materials and investment they need.

Conclusion

Since the collapse of the Soviet Union, the forces pulling the FSU apart have gained strength. Trade among the republics has plummeted. Attempts to form new alliances have floundered. One apparent casualty of the sour political mood in the region has been the Commonwealth of Independent States (CIS). Russia took the lead in forming the CIS at the end of 1991. The intent was to create an organization that would promote military and economic cooperation among the new states. Mistrust of Russia, however, undermined the effectiveness of the CIS in 1992. By early 1993, many Russian leaders had lost faith in the CIS as a vehicle for stability.

In their most dire scenarios, experts fear that the forces of disintegration could fracture Russia and the other large republics of the CIS. That could put nuclear weapons in the hands of local strongmen and bureaucrats. Others are concerned that political chaos could leave local military commanders in a position to sell off weapons, even nuclear arms, to outside buyers. Already, Russian forces have served as mercenaries in the war-torn Caucasus region, while a renegade Russian general has taken personal command of the ex-Soviet army in Moldova.

Whatever their predictions about the future of the FSU, experts agree that economic crisis aggravates the political problems of the region. They also agree that, even in the best of circumstances, the road to establishing prosperous free-market economies and democratic institutions in the FSU will be long and bumpy. They disagree, however, on what role the United States can play and should play in the process. That is a question that the American public must decide.

Options in Brief

Option 1 — Invest in the Future

Since the collapse of the Soviet Union, the leaders of the new states of the former Soviet Union (FSU) have struggled to transform their societies. We are now at a historic crossroads. In the next few years, the countries of the FSU either will establish a firm foundation for nurturing democracy and free-market prosperity or will turn back toward repression, closed economic systems, endless conflict among themselves, and hostility toward the outside world. Americans must not shirk their responsibility to the future. Our country has a vital role to play in the transformation of the FSU. Along with our key allies in Western Europe and Japan, we should do what we can to aid the states of the FSU in their transition to democracy and the free market. After spending trillions of dollars on the Cold War, we would be foolish to deny the FSU the few billion needed to ensure the success of reform.

Option 2 — Keep the Lid On

Economic chaos and ethnic conflict threaten to engulf the entire former Soviet Union (FSU). The massive Soviet military machine is rapidly falling apart, leaving huge stockpiles of weapons, possibly nuclear arms, up for grabs. War and poverty have created thousands of refugees, and millions more could be on the move if conditions worsen. If the FSU blows up, we and our allies will be hurt in the explosion. In assisting the FSU through this period of crisis, we should keep in mind our country's primary foreign policy interests. U.S. policy cannot be guided by far-fetched dreams. We cannot remake the world in our image. Instead, we should concentrate on responding to specific threats. Most important is making sure that military forces in the FSU do not endanger world peace. Control over nuclear weapons is essential. In this period of uncertainty, we have no choice but to cooperate with Russia to protect U.S. interests in the region.

Option 3 — Declaw the Russian Bear

Americans must recognize that we cannot change Russia. Moreover, we must understand that our interests and the interests of Russia will inevitably conflict. Russia continues to maintain a huge army and a nuclear arsenal only slightly less advanced than our own. Russia's present leaders are determined to restore their country's stature in world affairs. The simple fact is that sooner or later a resurgent Russia would threaten U.S. interests. Rather than helping Russia renew its economic and military competition with the United States, we should take steps to declaw the Russian bear. Limiting Russia's military power, especially its nuclear forces, should be our primary goal.

Option 4 — Mind Our Own Business

Now that the Cold War is over, it's time to put our national priorities back in order. Undeniably, the problems facing the former Soviet Union (FSU) are severe. However, even if billions of dollars were available to us, the FSU is much too vast and complex for the United States to make a big difference. Moreover, the threat of a new Cold War has no basis. Rather than searching for new entanglements overseas, the United States should strive to limit its involvement in the FSU. Humanitarian relief for the cold and hungry is one thing, but we should hardly dump billions of dollars into experimental economic reform programs. The next few years will be crucial to the future of the United States. We cannot allow our concentration to be distracted by another foreign policy crusade.

Option 1

Invest in the Future

For forty years, the United States spent trillions of dollars on our country's confrontation with the Soviet Union. Ultimately, the strength of our democratic, free-market institutions prevailed. Even Mikhail Gorbachev and other top Soviet officials recognized that the communist system had failed. Since the collapse of the Soviet Union, the leaders of the new states of the former Soviet Union (FSU) have struggled to transform their societies. We are now at a historic crossroads. In the next few years, the countries of the FSU either will establish a firm foundation for nurturing democracy and free-market prosperity or will turn back toward repression, closed economic systems, endless conflict among themselves, and hostility toward the outside world. For Americans as well, the alternatives are equally stark. We either will live in a world strengthened by international cooperation, or in a world hobbled by tension and mistrust. Clearly, the decisions that are made today will have an enormous impact on U.S. foreign policy in the 21st century.

Americans must not shirk their responsibility to the future. Our country has a vital role to play in the transformation of the FSU. Along with our key allies in Western Europe and Japan, we should do what we can to aid the states of the FSU in their transition to democracy and the free market. Russia and a few of its neighbors have already taken bold steps toward economic reform. Far-sighted officials there realize that going back to the old system would doom their societies to decades of mediocrity. Rising unemployment and hard-line communist bureaucrats, however, threaten to snuff out the reform process. We can prevent that by providing aid to reduce the pain of the transition. After spending trillions of dollars on the Cold War, we would be foolish to deny the FSU the few billion needed to ensure the success of reform. We have a historic opportunity to remake the world. Let's not miss it.

Policy guidelines

•The United States should increase aid to former Soviet states that are promoting democracy and free-market reform. We should develop a partnership with FSU countries that share our commitment to freedom, international harmony, and open trade among nations.

•Foreign aid programs should aim at alleviating the pain of free-market economic reform in the FSU. Preventing the collapse of the health care and educational systems in the FSU should be a top priority. The United States should also help important industries, such as energy, transportation, and communication, make the transition to the free-market system. Loan guarantees and tax breaks should be given to American companies willing to invest in the FSU. In addition, Russia should be given extra time to pay back the $80 billion it owes to foreign banks.

•Option 1 would cost the United States $10 to $15 billion a year for the next three years, and then require about $5 billion annually for another few years. While closely cooperating with its leading allies, the United States would take the lead in expanding foreign aid programs to the FSU.

Lessons from the Marshall Plan

Under the Marshall Plan, the United States helped lay the foundation for stable, free-market democracy in Western Europe. U.S. aid transformed friend and foe alike. In the case of West Germany, the Marshall Plan extinguished support for Nazism and united Germans with our traditional allies in Western Europe. Regrettably, the same approach was not applied after World War I. Without U.S. help, Germany experienced poverty and chaos in the 1920s. These desperate conditions gave rise to Adolf Hitler.

PROS

SUPPORTING ARGUMENTS

1. Helping the former Soviet states establish democracy and free-market prosperity will strengthen the cause of democratic reform throughout the world.

2. Free-market prosperity in the FSU will open a huge new market for U.S. trade and investment, thus spurring economic growth here at home.

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3. The friendly ties built by U.S. foreign aid will ensure that the former Soviet republics are on the side of the United States in international disputes.

4. Improving economic conditions in the FSU will ease the mood of desperation and mistrust that has fueled conflict among the republics, most notably the dispute between Russia and Ukraine.

CONS

OPPOSING ARGUMENTS

1. Considering that leading experts disagree on how to promote reform in the FSU, investing in a large-scale aid program would be like pouring money down a rat hole.

2. The revival of Russia's economy will end up serving the interests of hard-line Russian forces who will inevitably regain power and seek to restore their country's international influence at the expense of the United States.

3. Trying to pick a winner among the competing political forces in the FSU is not only a foolish bet, but could harm our relations with future governments in the region.

4. At a time when Americans are being asked to sacrifice in order to reduce our country's budget deficit, the United States can hardly afford another expensive foreign aid program.

Option 2

KEEP THE LID ON

The collapse of the Soviet Union has unleashed a new set of problems for the United States. The optimism that marked the end of the Cold War has given way to anxiety about the future. Economic chaos and ethnic conflict threaten to engulf the entire former Soviet Union (FSU). The massive Soviet military machine is rapidly falling apart, leaving huge stockpiles of weapons, possibly nuclear arms, up for grabs. War and poverty have created thousands of refugees, and millions more could be on the move if conditions worsen. The problems of the FSU are not of our making. Nonetheless, we cannot afford to ignore them. If the FSU blows up, we and our allies will be hurt in the explosion.

In assisting the FSU through this period of crisis, we should keep in mind our country's primary foreign policy interests. Needless to say, we would like to see democracy, human rights, and free-market economic systems flourish. But U.S. policy cannot be guided by far-fetched dreams. We cannot remake the world in our image. Instead, we should concentrate on responding to specific threats. Most important is making sure that military forces in the FSU do not endanger world peace. Control over nuclear weapons is essential. In addition, we must prevent ethnic conflicts and refugee crises from spilling over the borders of the FSU into Europe and the Middle East. To meet our priorities, the United States should promote stability and order. In this period of uncertainty, we have no choice but to cooperate with Russia to protect U.S. interests in the region. No one can predict the outcome of the FSU's transition. For the moment, the best we can do is to keep the lid on this vast, simmering region.

Policy guidelines

•The United States should focus aid on programs that address our country's most important U.S. security concerns. As the leading force for stability in the FSU, Russia should receive most of the aid directed toward the FSU.

•To address threats posed by nuclear weapons, foreign aid should pay the costs of dismantling the FSU's nuclear arsenal. Industries producing the most threatening military components, such as long-range missiles, should be given assistance in converting to the commercial sector. Special research projects should be created to employ nuclear weapons scientists. To limit conflict in the FSU, foreign aid should be withheld from republics that refuse to cooperate with their neighbors. Non-Russian republics should recognize that Russia must play a central role in maintaining stability in the region.

•Option 2 would cost the United States $2 to $3 billion a year for the next few years. The United States would closely cooperate with its leading allies to ensure that international aid addresses the problems posed by nuclear weapons and ethnic conflict in the FSU.

Lessons from the Marshall Plan

The Marshall Plan succeeded because it focused squarely on achieving concrete U.S. interests. The program gave Europeans the money to buy American goods at a time when the health of the world economy was in danger. It also fostered open international trade at a time when European leaders were under pressure to close their economies. The U.S. leaders who developed the Marshall Plan held no illusions about changing the world. Rather, they were determined not to repeat the mistakes their predecessors had made after World War I.

PROS

SUPPORTING ARGUMENTS

1. By focusing support on Russia, the United States will be helping to stabilize the only country of the FSU capable of maintaining order in the region.

2. Speeding up the dismantling of nuclear weapons and the conversion of key military industries in the FSU will allow other countries in Europe and Asia to cut military spending as well.

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3. Targeting U.S. aid on a few well-focused concerns will allow the United States to remain above the political turmoil raging within the countries of the FSU.

4. Linking U.S. aid policy to the development of a secure, stable Russia will send a clear signal to local authorities in Russia that the United States will not support movements that contribute to Russia's fragmentation.

CONS

OPPOSING ARGUMENTS

1. Scrimping on economic aid now, at the most crucial moment in the FSU's transition, will kill momentum toward democratic and free-market reform throughout the region.

2. Trying to keep the lid on the threats posed by the FSU — without tackling the underlying problems — will only delay the inevitable explosion.

3. Favoring Russia over the other states of the FSU will create enemies in the non-Russian republics — three of which have nuclear weapons on their territory — and fan tensions between Russia and its neighbors.

4. Restoring the health of the American economy and dealing with social problems here at home are the real keys to U.S. strength and security.

Option 3

Declaw the Russian Bear

Although the Soviet Union no longer exists, much of the power of our Cold War enemy remains in the hands of Russia. With three-quarters of the Soviet Union's territory, Russia is the biggest country in the world. Its vast reserves of raw materials are matched by no other nation. Furthermore, Russia continues to maintain a huge army and a nuclear arsenal only slightly less advanced than our own. Russia's present leaders are determined to restore their country's stature in world affairs. For a brief time, Americans were optimistic that Russia would join us in embracing democracy and free-market economics. In recent months, however, a gloomier picture has emerged. The voices of authoritarianism and nationalism have grown stronger. Russia is again turning inward, and turning away from the United States.

Americans must recognize that we cannot change Russia. Moreover, we must understand that our interests and the interests of Russia will inevitably conflict. The simple fact is that an economically strong Russia is not in the best interests of the United States. Economic strength is the basis of military power, and sooner or later a resurgent Russia would threaten U.S. interests. Rather than helping Russia renew its economic and military competition with the United States, we should take steps to declaw the Russian bear. Limiting Russia's military power, especially its nuclear forces, should be our primary goal. Ideally, we would all prefer to live in a world of peace, harmony, and brotherhood. In the dangerous international arena, however, we cannot afford to confuse fanciful wishes with cold realities.

Policy guidelines

• The United States should focus foreign aid on programs that serve to contain the long-term military threat posed by Russia. To meet the challenge presented by Russia's aggressive tendencies, economic aid should be directed toward strengthening Russia's neighbors, especially Ukraine.

• Foreign aid programs should help Russia's neighbors balance the power of their huge neighbor. Ukraine, Belarus, and Kazakhstan, in particular, should receive aid to rebuild their key industries and modernize their communication and transportation systems. Technical assistance should be provided to these countries to break their dependence on Russian technology. Meanwhile, aid to Russia should be limited to programs that speed the downsizing of Russia's armed forces and the dismantling of its nuclear arsenal.

• Option 3 would cost the United States $2 to $3 billion a year for the next few years. The United States would cooperate with countries that share the goals of Option 3. At the same time, the United States would pressure its allies to stop aid programs that would help Russia rebuild its military power.

Lessons from the Marshall Plan

The accomplishments of the Marshall Plan cannot be repeated in Russia. The transformation of West Germany from U.S. enemy to U.S. ally after World War II can be attributed to a unique set of circumstances. First, U.S. troops occupied much of the country from 1948 to 1952, forcing West Germany to comply with the political and economic conditions of the Marshall Plan. Second, fear of the Soviet Union left Germans little choice but to side with the United States.

PROS

SUPPORTING ARGUMENTS

1. By preventing Russia from regaining its superpower status, the United States will be better able to maintain international peace and stability.

2. Limiting Russia's military power will reduce the security fears of Russia's neighbors, as well as those of our allies in Western Europe and East Asia.

&

3. By pressing our allies to restrict aid to Russia, the United States will have leverage to compel Russia to cut its nuclear arsenal.

4. The political turmoil in Russia affirms that sooner or later hard-line forces will again be in control of the Russian government.

CONS

OPPOSING ARGUMENTS

1. Denying Russia aid in its hour of need will ensure the failure of democratic, free-market reforms.

2. Supporting the non-Russian states of the FSU at Russia's expense will turn the world's largest country into a bitter enemy of the United States, fuel hostility between Russia and its neighbors, and encourage Ukraine, Belarus, and Kazakhstan to hold onto their nuclear weapons.

3. Using foreign aid to punish Russia will succeed only in antagonizing Russian leaders, not in depriving Russia of the main threat to U.S. security — its huge nuclear arsenal.

4. Encouraging the non-Russian countries of the FSU to distance themselves from Russia will further weaken trade links among the FSU countries and worsen economic conditions for all.

Option 4

Mind Our Own Business

For forty years, the Cold War not only dominated U.S. foreign policy, but also took precedence over vital concerns here at home. The United States poured hundreds of billions of dollars into military research while our schools crumbled. More than half a million U.S. troops were stationed overseas while crime, homelessness, and the budget deficit increased in our country. Now that the Cold War is over, it's time to put our national priorities back in order. Undeniably, the problems facing the former Soviet Union (FSU) are severe. However, even if billions of dollars were available to us, the FSU is much too vast and complex for the United States to make a big difference. Ultimately, the future of the former Soviet republics will be decided by the people of the region. In Russia, political forces on both sides of the debate on economic reform recognize that turning back the clock to the Soviet era is impossible. Only a few extremists in Russia suggest that their country should revive the arms race with the United States. Despite the exaggerated warnings of alarmists in the United States, the threat of a new Cold War has no basis.

Rather than searching for new entanglements overseas, the United States should strive to limit its involvement in the FSU. Humanitarian relief for the cold and hungry is one thing, but we should hardly dump billions of dollars into experimental economic reform programs. The next few years will be crucial to the future of the United States. Historic challenges await us as we struggle to reduce our budget deficit, reform our health care system, and address other long neglected problems. We cannot allow our concentration to be distracted by another foreign policy crusade. We have done our part to make the world a better place. Now let us turn our attention to revitalizing the United States.

Policy guidelines

• The United States should limit foreign aid to the FSU to humanitarian relief. Aid should be distributed by international agencies, without regard to political considerations.

• People suffering in the FSU should receive no more or no less attention than the victims of hunger and natural disasters in other parts of the world. Aid programs should provide food, clothing, medicine, and other necessities on a temporary basis.

• Option 4 would cost the United States no more than a few hundred million dollars a year, depending on conditions in the FSU. The United States would cooperate with other countries in organizing humanitarian relief operations, although it would not participate in large-scale aid programs.

Lessons from the Marshall Plan

The role of the Marshall Plan in reviving Western Europe's economy after World War II has been exaggerated. Western Europe in 1952 was certainly better off than it had been four years earlier, but the region was still unable to compete in the world economy. Rather, Western Europe's economic recovery took more than ten years. U.S. aid was a key part of the process, but far more important were the underlying free-market economic institutions that had existed before the war.

PROS

SUPPORTING ARGUMENTS

1. Foreign aid that would have gone to the FSU will be better invested here at home in creating jobs, improving health care, and reducing the budget deficit.

2. By not becoming entangled in foreign aid programs, the United States will avoid becoming a target for blame if economic reforms fail.

&

3. Stepping aside so that other countries can take the lead in aiding the FSU will allow the United States to give up its role as global policeman.

4. Foreign aid to the FSU will likely fall into the hands of hard-line officials and corrupt bureaucrats, thus strengthening the forces opposed to reform.

CONS

OPPOSING ARGUMENTS

1. By turning our back on democratic reformers in the FSU, the United States will lose its position of leadership in promoting democratic and economic reform around the world.

2. By not participating in aid programs now, the United States will find itself cut out of future opportunities for trade and investment in the FSU.

3. Saving a few billion dollars today on aid to the FSU will seem short-sighted tomorrow if we must spend tens of billions more to defend ourselves from a hostile Russia.

4. Standing by idly while Russia reasserts its domination over the other states of the FSU will feed Russia's expansionist instincts.

Five-Day Lesson Plan

Homework: Before beginning the unit, students should read Part I of the background readings, "Lessons from the Marshall Plan," and complete "Study Guide – Part I."

DAY ONE

Analyzing the Marshall Plan

Objective: This activity focuses on the changes in international relations that have occurred since the Marshall Plan was proposed.

1. Distribute "Our Duty in Europe's Crisis" (an editorial on the Marshall Plan that appeared in *The New York Times,* June 8, 1947) and call on the class to quickly read it. Note that the editorial was written three days after Secretary of State Marshall proposed a comprehensive program of U.S. aid for Europe.

2. Direct student attention to the underlined sentences. Which of these statements are still valid? How have international relations changed since the time of the Marshall Plan? How has the position of the United States in world affairs changed? Ask students to draw their answers from Part I of the background reading.

3. Call on students to assess the successes and failures of the Marshall Plan. How did the criteria for judging the program's effectiveness change from 1947 to 1952? What were the chief U.S. concerns driving the Marshall Plan? Which of those fears are relevant today?

Homework: Students should read Part II of the background readings, "The Former Soviet Union in Transition" and complete "Study Guide – Part II."

DAY TWO

Assessing the reform process in the FSU

Objective: This role play will explore the attitudes of people in the FSU regarding the changes that their countries are undergoing.

1. Divide the class into six groups. Assign five of the groups one of the following occupational roles in the FSU: a newly rich businessman involved in international trade; a manager of a state-run factory producing missiles; a worker in a steel factory; an army officer; and a doctor. These groups should review Part II of the background reading to gain a firm understanding of how their respective characters view the economic reforms taking place in the FSU.

2. The sixth group will represent American journalists. Inform members of this group that they are touring the FSU to gather information for articles on the FSU's economic and political transition. They should develop questions to be addressed to the other groups about the reform process. Emphasize that the questions should be general in nature, so that each group will be able to respond. For example, suggest that the journalists ask each group to evaluate Yegor Gaidar's program of "shock therapy." How have the changes personally affected the lives of the individuals represented?

3. *Extra Challenge:* Assign students a national identity in addition to their occupational identity. For example, the businessman might be an oil broker from Tatarstan, or the factory worker a Kazakh. Ask students to reflect on how national identity influences attitudes toward economic reform.

DAY THREE

Role playing the four options: organization and preparation

Objective: This two-day simulation will familiarize students with leading issues that frame the debate on U.S. aid to the FSU.

1. Inform students that they will participate in a simulation using the options and the background readings. Form four groups of three to five students. Assign an option to each group. The remainder of the class will serve as members of the Senate Foreign Relations Committee. (In smaller classes, other teachers or administrators may be invited to serve as members of the committee.)

2. Distribute "Presenting Your Option" to the four option groups and "U.S. Aid to the Former Soviet Union" to the Senate committee. Inform students that each option group will be called upon in Day Four to present the case for its assigned option to the committee. Explain that option groups should follow the instructions in "Presenting Your Option." Note that the option groups should begin by assigning each member a role. (As an extra challenge, ask the groups to design a poster illustrating the best case for their option.) While the option groups are preparing their presentation, members of the committee should develop cross-examination questions for Day Four (see "U.S. Aid to the Former Soviet Union"). Remind committee members that they are expected to turn in their cross-examination questions at the end of the simulation.

Homework: Students should complete preparations for the simulation.

DAY FOUR

Role playing the four options: debate and discussion

1. Organize the room so that the four option groups face a row of desks reserved for the Senate Foreign Relations Committee. Distribute "Evaluation Form" to the committee members. Explain that the simulation will begin with three-to-five minute presentations by the spokespersons for the option groups. Encourage the spokespersons to speak clearly and convincingly.

2. Following the presentations, invite members of the Senate committee to ask cross-examination questions. Make sure that each committee member has an opportunity to ask at least one question. The questions should be equally distributed among all four option groups. If time permits, encourage members of the option groups to challenge the positions of other groups. During the cross-examination period, allow any option group member to respond. (As an alternative approach, permit cross-examination after each option is presented.)

3. Instruct members of the committee to fill out the first part of "Evaluation Form" during the course of the period. The second part of the worksheet should be completed as homework.

Homework: Students should read each of the four options, then fill out "Focusing Your Thoughts."

DAY FIVE

Fleshing out policy

Objective: This activity will help students translate their beliefs and assumptions into concrete policy recommendations.

1. Call on members of the Senate committee to share their evaluations of the option groups. Which arguments were most convincing? Which beliefs were most appealing? What were the main threats addressed by each of the options?

2. Distribute "Your Option Five." Review the beliefs in "Focusing Your Thoughts," noting the relationship between beliefs and policy options. Call on students to use "Focusing Your Thoughts" as the basis for answering the first two questions of "Your Option Five."

3. Distribute "Foreign Aid Options." Explain that the fact sheet outlines a range of aid programs proposed for the FSU. Students should identify programs that correspond to the beliefs and assumptions of their respective options. (See the third question of "Your Option Five.") For example, students who believe that the United States and Russia will likely be enemies in the future should be attracted to aid programs focusing on the demilitarization of Russia. In contrast, students who believe that the countries of the FSU will become trusted allies and trading partners of the United States would favor plans to modernize the communication and transportation infrastructure of the FSU.

4. Call on students to summarize their answers to "Your Option Five." What were the chief concerns that guided the formulation of their options? What are their views about the future of U.S. relations with the countries of the FSU? How important is this part of the world compared to other issues at home and abroad?

5. *Extra Challenge:* As homework, instruct students to write a letter to a member of Congress or President Clinton on their ideas for U.S. aid to the FSU. In the first part of the letter, students should present the beliefs and assumptions underlying their viewpoint, while in the second part of the letter students should present a coherent set of recommendations for U.S. aid to the FSU.

Our Duty in Europe's Crisis

from *The New York Times*, June 8, 1947

The primary cause of human misery today is not poverty of resources. Nor is it destruction caused by war. The primary cause is a breakdown, throughout large areas, of the machinery of production and distribution. Among the countries that have escaped this blight the United States is the greatest and richest. We have a large surplus, which we can export. But American exports alone, however long continued, cannot of themselves repair the breakdown. They cannot even be long continued without some kind of repayment unless we are willing — as surely we are not — to become the economic masters of the world, doling out charity to enslaved populations. The charity we have to give, and will give, must run on the principle of all sound charity — it must enable the recipients to become self-supporting and self-respecting. There can be no equality among nations and peoples on any other basis.

Some such line of reasoning lay behind Secretary Marshall's address at Harvard. For ten years, as the Secretary said, conditions in Europe have been abnormal; he might have added that they have likewise been abnormal in Japan and China for the same length of time. Dictatorial governments not only diverted products to war and production for war — they diverted productive machinery; they debased science and invention; they broke up old systems of distribution and exchange. Now we have reached the point where "the modern system of the division of labor upon which the exchange of products is based is in danger of breaking down." These are strong words, for they mean that civilization itself is in danger of breaking down.

We have not been passive in the face of this danger, but so far all we have done has been to meet a series of emergencies as they arose. We have loaned or given away more than seventeen billion dollars since the war ended, and it begins to look as though we would have to loan or give away many billions more. Part of this outgo has been and will be an expression of the Truman Doctrine. But the Truman Doctrine, narrowly interpreted, could become merely another Maginot Line. We have had to take a stand against Soviet aggression, and to back up this stand with economic resources. The real enemies remain, as Secretary Marshall said, "hunger, poverty, desperation, and chaos." These cannot be conquered by standing on a line, and they cannot be conquered by dealing with a series of particular emergencies in particular areas. There is but one emergency and it is a world emergency. There are many symptoms but only one disease. This disease even crosses the great ideological frontiers, for a part of the restlessness and aggressiveness of communism is surely due to its failure to create a tolerable standard of living based on an effective system of production.

Secretary Marshall spoke of the necessity for "some agreement among the countries of Europe as to the requirements of the situation and the part those countries themselves will take in order to give proper affect to whatever action might be undertaken by this Government." The initiative, he thought, "must come from Europe." But this suggestion, made in a set speech by an American Secretary of State, is itself a taking of the initiative. We have no right to dictate what forms of economic organization shall emerge of the European chaos. We do have a right, as a condition to further aid and as an occupying Power in Germany and Austria, to ask that the organizing effort be made. We cannot avoid the rights and duties of partnership....

Center for Foreign Policy Development *Permission granted for duplication*

Name: _____

Study Guide – Part I
Lessons from the Marshall Plan

1. The Marshall Plan was developed to respond to both economic and political problems in Europe. What were the leading concerns of U.S. leaders with respect to these two areas?

   a. economic problems:

   b. political problems:

2. How did the goals of the Marshall Plan change in the minds of U.S. leaders from 1947 to 1952?

3. Why have U.S. policymakers in the last four decades often looked back to the lessons of the Marshall Plan?

4. In what ways have the changes of the last four decades overtaken the relevance of the Marshall Plan? In what ways is the Marshall Plan still a valid guide for current U.S. policy toward the FSU?

Name: _____

Study Guide – Part II

The Former Soviet Union in Transition

1. How was the economic system created by Josef Stalin in the 1930s responsible for the Soviet Union's economic troubles in the 1980s?

2. Explain why Yegor Gaidar believed that the following reform measures were necessary to stabilize Russia's finances.
   a. removal of price controls:

   b. cuts in government subsidies:

   c. privatization:

3. According to supporters of Yegor Gaidar, what direction should economic reform in Russia now take?

4. According to supporters of Arkady Volsky, what direction should economic reform in Russia now take?

5. Should the United States be concerned about the conflicts between the peoples of the FSU? Explain your answer.

Presenting Your Option

Day One — Preparing Your Presentation

Your Assignment: Your group has been called upon to appear before the Committee on Foreign Relations of the U.S. Senate. Your assignment is to persuade the committee members that your option should be the basis for U.S. aid policy toward the former Soviet Union (FSU). You will be judged on how well you present your option.

Organizing Your Group: Each member of your group will take a specific role. Below is a brief explanation of the responsibilities for each role.

1. *Spokesperson:* Your job is to explain the option of your group to the Senate Foreign Relations Committee in a three-to-five minute presentation. In preparing your presentation, you will receive help from the other members of your group. You should include arguments from their areas of expertise. Keep in mind, though, that you are expected to take the lead in organizing your group. Read your option and review the background readings to build a strong case for your option.

2. *Expert on the Former Soviet Union:* Your job is to advise the spokesperson of your group as to how Soviet history and current developments in the FSU justify the position of your option. Carefully read your option and then review the sections in Part II of the background readings that deal with your area of expertise. Pay special attention to "Origins of the Soviet economic system" and "The FSU powder keg."

3. *Economic Adviser:* Your job is to advise the spokesperson of your group on why your option makes economic sense in light of the situation in the FSU. Carefully read your option, and then review the sections in Part II of the background readings that deal with your area of expertise. Pay special attention to "Russia undergoes economic reform," "Foreign advisers," and "Reform at the crossroads."

4. *Historian:* Your job is to advise the spokesperson of your group on how lessons from the Marshall Plan justify the position of your option. Carefully read your option, and then review Part I of the background readings.

Day Two — Making Your Case

On Day Two, your spokesperson will deliver a three-to-five minute presentation to the Senate Foreign Relations Committee. Notes may be used, but the spokesperson should speak clearly and convincingly. During the presentation, you should try to identify the weak points of the other options. After all of the groups have presented their options, members of the Senate committee will ask you cross-examination questions. Any member of your group may respond during the cross-examination period.

U.S. Aid to the Former Soviet Union

Committee on Foreign Relations of the U.S. Senate

Your Role

As a member of the Committee on Foreign Relations of the U.S. Senate, you consider issues relating to our country's foreign policy. As you know, the area that was once the Soviet Union has been the focus of U.S. foreign policy since the end of World War II. Now that the Soviet Union has collapsed, Americans are debating what role, if any, U.S. aid should play in the transition taking place in the FSU. These hearings will introduce you to four distinct approaches to this question.

Your Assignment

While the four option groups are organizing their presentations, you should prepare two questions regarding each of the options. Your teacher will collect these questions at the end of the exercise.

Your questions should be challenging and critical. For example, a good question for Option 1 might be:

> *What evidence supports your argument that a large-scale aid program will make a big difference in shaping the direction of the former Soviet Union?*

On Day Two, the four option groups will present their positions. After their presentations are completed, your teacher will call on you and your fellow committee members to ask questions. The "Evaluation Form" you receive is designed for you to record your impressions of the option groups. Part I should be filled out in class after the option groups make their presentations. Part II should be completed as homework. After this activity is concluded, you may be called upon to explain your evaluation of the option groups.

Name: _____

Evaluation Form

Committee on Foreign Relations of the U.S. Senate

Part I

What was the most persuasive argument presented in favor of this option?	What was the most persuasive argument presented against this option?
Option 1	*Option 1*
Option 2	*Option 2*
Option 3	*Option 3*
Option 4	*Option 4*

Part II

Which group presented its option most effectively? Explain your answer.

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Focusing Your Thoughts

Instructions: You have had an opportunity to consider four options on U.S. aid policy toward the former Soviet Union (FSU). Now it is your turn to look at each of the options from your own perspective. Try each one on for size. Think about how the options address your concerns and hopes. You will find that each has its own risks and trade-offs, advantages and disadvantages.

Beliefs

Considering the statements below will help you answer the first two questions of "Your Option Five." Rate each of the statements according to your personal beliefs:

1 = Strongly Support 3 = Oppose 5 = Undecided
2 = Support 4 = Strongly Oppose

___ The greatest threats facing the United States are all at home: budget deficits, mediocre schools, crime, and an inadequate health care system.

___ Our most trustworthy allies are those countries that share our democratic principles and free-market economic system.

___ Geography and culture largely determine which countries are enemies of the United States.

___ Trying to make deep changes in other societies is naive and dangerous.

___ The main foreign policy interests of the United States lie in preserving stability and order around the world.

___ We will always have to compete with other nations for power.

___ Every country, even one emerging from communism, is capable of transforming itself into a free-market democracy.

___ The end of the Cold War has made the world a more dangerous place.

Ranking the Options

Which of the options below do you prefer? Keep in mind that the beliefs you support most strongly should guide your choice. Rank the options, with "1" being the best option for the United States to follow.

___ **Option 1: Invest in the Future**

___ **Option 2: Keep the Lid On**

___ **Option 3: Declaw the Russian Bear**

___ **Option 4: Mind Our Own Business**

Creating Your Own Option

Your next assignment is to create an option that reflects your own beliefs and opinions. You may borrow heavily from one option, or you may combine ideas from two or three options. Or you may take a new approach altogether. There are, of course, no perfect solutions. And there is no right or wrong answer. Rather, you should strive to craft an option that is logical and persuasive. Be careful of contradictions. For example, we would not give Russia billions of dollars to rebuild its communications network if our goal was to limit Russia's military power. The "Your Option Five" worksheet will help you organize your ideas.

Name: _____

Your Option Five

1. Are U.S. interests threatened by the situation in the FSU? Explain your answer.

2. What should be the most important goals guiding U.S. aid policy toward the FSU?

3. What aid programs should the United States undertake in the FSU? (See "Foreign Policy Options.") Explain your choices.

4. What are the two strongest arguments opposing your option?

   A.

   B.

5. What are the two strongest arguments supporting your option?

   A.

   B.

Foreign Aid Options

Foreign aid comes in a number of different forms. Each approach is designed to achieve specific goals. In answering the third question of "Your Option Five," you should select foreign aid programs that reflect the overall goals of your policy. For example, if you believe that the collapse of free-market reform in Russia would seriously threaten the United States, you should recommend aid programs that would help Russians absorb the jolt of shock therapy. Below is an outline of aid programs from which to choose. You may also develop your own approach.

1. Humanitarian and Food Assistance is designed to relieve immediate human suffering by providing food, medical supplies, and other basic goods. U.S. aid to Somalia in 1992-1993 was intended largely for this purpose. Under this approach, the U.S. government could buy grain, milk, medicines, and other items from U.S. producers and then provide it either free or at low cost to countries in need.

2. Technical Assistance is designed to provide expertise to backward countries. Although the nations of the FSU are industrialized, in many respects they lack the expertise to develop prosperous, democratic societies. Under this approach, the United States could send bankers to help develop a free-market banking system, nuclear scientists to upgrade the region's nuclear plants, and business executives to advise factory managers on producing for the global market.

3. Aid in Demilitarization is designed to assist countries to reduce their military forces. In the case of Russia, Ukraine, Kazakhstan, and Belarus, these forces include nuclear weapons. Under this approach, the United States could provide aid for disassembling nuclear weapons and safely storing nuclear materials. The United States could also help military industries convert to producing consumer goods and assist in offering job training to former soldiers.

4. Promoting Trade and Investment is designed to allow cash-poor countries to participate in the world economy. Many of the countries of the FSU have the potential for economic prosperity. What they lack, however, is the money to pay for the imported high-tech equipment that would allow them to take advantage of their resources. Under this approach, the United States could provide countries of the FSU credits to buy American goods. Credits are like grocery store coupons: the country issuing the credits decides which products can be bought with them. The credits could be given as long-term loans with low interest rates. The United States could also encourage U.S. companies to invest in the FSU by giving them tax breaks and sharing the risk of investment.

5. Infrastructure Improvements are designed to lay the foundation for developing an advanced, industrial society. Although the nations of the FSU are industrialized, their energy, transportation, and communication infrastructures is largely worn and out-of-date. Under this approach, the United States could aid the countries of the FSU in rebuilding their infrastructure. Modernizing the telephone system or upgrading the region's equipment for electricity transmission are two areas where foreign aid would be especially useful. U.S. companies could expect to play a major role in this process. The United States could also provide assistance to support the infrastructure of the health care and educational systems.

Figures for Comparison (fiscal year 1992)

Total U.S. budget:	$1,381 billion
U.S. budget deficit:	$290 billion
U.S. defense budget:	$285 billion
U.S. foreign aid to Israel and Egypt (the two leading recipients of U.S. aid):	$5.1 billion

Supplementary Documents for the Teacher

Text of the "Marshall Plan"

S. 2202, Foreign Assistance Act of 1948, as Reported With Amendments by the Committee on Foreign Affairs to the House of Representatives, March 20, 1948.

AN ACT To promote the general welfare, national interest, and foreign policy of the United States through necessary economic and financial assistance to foreign countries which undertake to cooperate with each other in the establishment and maintenance of economic conditions essential to a peaceful and prosperous world.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, that this Act may be cited as "The Economic Cooperation Act of 1948."

Findings and Declaration of Policy

Sec 2. (a) Recognizing the intimate economic and other relationships between the United States and the nations of Europe, and recognizing that disruption following in the wake of war is not contained by national frontiers, the Congress finds that the existing situation in Europe endangers the establishment of a lasting peace, the general welfare and national interest of the United States, and the attainment of the objectives of the United Nations. The restoration or maintenance in European countries of principles of individual liberty, free institutions, and genuine independence rests largely upon the establishment of sound economic conditions, stable international economic relationships, and the achievement by the countries of Europe of a healthy economy independent of extraordinary outside assistance. The accomplishment of the objectives calls for a plan of European recovery, open to all such nations which cooperate in such plan, based upon a strong production effort, the expansion of foreign trade, the creation and maintenance of internal financial stability, and the development of economic cooperation, including all possible steps to establish and maintain equitable rates of exchange and to bring about the progressive elimination of trade barriers. Mindful of the advantages which the United States has enjoyed through the existence of a large domestic market with no internal trade barriers, and believing that similar advantages can accrue to the countries of Europe, it is the hope of the people of the United States that these countries through a joint organization will exert sustained common efforts which will speedily achieve that economic cooperation in Europe which is essential for lasting peace and prosperity. Accordingly, it is declared to be the policy of the people of the United States to sustain and strengthen principles of individual liberty, free institutions and genuine independence in Europe through assistance to those countries of Europe which participate in a joint recovery program based upon self-help and mutual cooperation: *Provided*, That no assistance to the participating countries herein contemplated shall seriously impair the economic stability of the United States. It is further declared to be the policy of the Untied States that continuity of assistance provided by the United States should, at all times, be dependent upon continuity of cooperation among countries participating in the program.

Purposes of Act

(b) It is the purpose of this Act to effectuate the policy set forth in subsection (a) of this section by furnishing material and financial assistance to the participating countries in such a manner as to aid them, through their own individual and concerted efforts, to become independent of extraordinary outside economic assistance within the period of operations under this Act, by

(1) promoting industrial and agricultural production in the participating countries;

(2) furthering the restoration or maintenance of the soundness of European currencies, budgets, and finances; and

(3) facilitating and stimulating the growth of international trade of participating countries with one another and with other countries by appropriate measures including reduction of barriers which may hamper such trade.

PARTICIPATING COUNTRIES

Sec. 3. As used in this Act, the term "participating country" means—

(a) any country, together with dependent areas under its administration, which signed the report of the Committee of European Economic Cooperation at Paris on September 22, 1947; and

(b) any other country (including any of the zones of occupation of Germany, any areas under international administration or control, and the Free

Territory of Trieste or either of its zones) wholly or partly in Europe, together with dependent areas under its administration; provided such country adhere to, and for so long as it remains an adherent, to a joint program for European recovery designed to accomplish the purposes of this Act.

ESTABLISHMENT OF ECONOMIC COOPERATION ADMINISTRATION

Sec. 4 (a) There is hereby established, with its principal office in the District of Columbia, an agency of the Government which shall be known as the Economic Cooperation Administration, hereinafter referred to as the Administration. The Administration shall be headed by an Administrator for Economic Cooperation, hereinafter referred to as the Administrator, who shall be appointed by the President, by and with the advice and consent of the Senate, and who shall receive compensation at the rate of $20,000 per annum. The administrator shall be responsible to the President, and shall have a status in the executive branch of the Government comparable to that of the head of an executive department. Except as otherwise provided in this Act, the administration of the provisions of this Act is hereby vested in the Administrator and his functions shall be performed under the control of the President.

(b) There shall be in the Administration a Deputy Administrator for Economic Cooperation who shall be appointed by the President, by and with the advice and consent of the Senate, and shall receive compensation at the rate of $17,500 per annum. The Deputy Administrator for Economic Cooperation shall perform such functions as the Administrator shall designate, and shall be Acting Administrator for Economic Cooperation during the absence or disability of the Administrator or in the event of a vacancy in the office of Administrator.

(c) The President is authorized, pending the appointment and qualification of the first Administrator or Deputy Administrator for Economic Cooperation appointed hereunder, to provide, for a period of not to exceed thirty days after the date of enactment of this Act, for the performance of the functions of the Administrator under this Act through such departments, agencies, or establishments of the United States Government as he may direct. In the event the President nominates an Administrator or Deputy Administrator prior to the expiration of such thirty-day period, the authority conferred upon the President by this subsection shall be extended beyond such thirty-day period but only until an Administrator or Deputy Administrator qualifies and takes office.

(d) Any department, agency, or establishment of the Government (including, whenever used in this Act, any corporation which is an instrumentality of the United States) performing functions under this Act is authorized to employ, for duty within the continental limits of the United States, such personnel as may be necessary to carry out the provisions and purposes of this Act, and funds available pursuant to section 14 of this Act shall be available for personal services in the District of Columbia and elsewhere without regard to section 14 (a) of the Federal Employees Pay Act of 1946 (60 Stat. 219). Of such personnel employed by the Administration, not to exceed sixty may be compensated without regard to the provisions of the Classification Act of 1923, as amended, of whom not more than ten may be compensated at a rate in excess of $10,000 per annum, but not in excess of $15,000 per annum. Experts and consultants or organizations thereof, as authorized by section 15 of the Act of August 2, 1946 (U.S.C., title 5, sec. 55a), may be employed by the Administration, and individuals so employed may be compensated at rates not in excess of $50 per diem and while away from their homes or regular places of business, they may be paid actual travel expenses and not to exceed $10 per diem in lieu of subsistence and other expenses while so employed.

(e)The head of any department, agency, or establishment of the Government performing functions under this Act may, from time to time, promulgate such rules and regulations as may be necessary and proper to carry out his functions under this Act, and he may delegate authority to perform any of such functions to his subordinates, acting under his direction and under rules and regulations promulgated by him.

GENERAL FUNCTIONS OF ADMINISTRATOR

Sec. 5 (a) The Administrator, under the control of the President, shall in addition to all other functions vested in him by this Act—

(1) review and appraise the requirements of participating countries for assistance under the terms of this Act;

(2) formulate programs of United States assistance under this Act, including approval of specific

projects which have been submitted to him by the participating countries;

(3) provide for the efficient execution of any such programs as may be placed in operation; and

(4) terminate provision of assistance or take other remedial action as provided in section 17 of this Act.

(b) In order to strengthen and make more effective the conduct of the foreign relations of the United States—

(1) the Administrator and the Secretary of State shall keep each other fully and currently informed on matters, including prospective action, arising within the scope of their respective duties which are pertinent to the duties of the other;

(2) whenever the Secretary of State believes that any action, proposed action, or failure to act on the part of the Administrator is inconsistent with the foreign policy objectives of the United States, he shall consult with the Administrator and, if differences of view are not adjusted by consultation, the matter shall be referred to the President for final decision.

(c) The Administrator and the department, agency, or officer in the executive branch of the Government exercising the authority granted to the President by section 6 of the Act of July 2, 1940 (54 Stat. 714), as amended, shall keep each other fully and currently informed on matters, including prospective action, arising within the scope of their respective duties which are pertinent to the duties of the other. Whenever the Administrator believes that any action, proposed action, or failure to act on the part of such department, agency or officer is inconsistent with the purposes and provisions of this Act, he shall consult with such department, agency, or officer and, if differences of view are not adjusted by consultation, the matter shall be referred to the President for final decision.

NATIONAL ADVISORY COUNCIL

Sec. 6 Section 4 (a) of the Bretton Woods Agreement Act (59 Stat. 512, 513) is hereby amended to read as follows:

Sec. 4 (a) In order to coordinate the policies and operations of the representatives of the United States on the Fund and the Bank and of all agencies of the Government which make or participate in making foreign loans or which engage in foreign financial exchange or monetary transactions, there is hereby established the National Advisory Council on International Monetary and Financial Problems (hereinafter referred to as the 'Council'), consisting of the Secretary of Treasury as Chairman, the Secretary of State, the Secretary of Commerce, the Chairman of the Board of Governors of the Federal Reserve System, the Chairman of the Board of Trustees of the Export-Import Bank of Washington, and during such period as the Economic Cooperation Administration shall continue to exist, the Administrator for Economic Cooperation."

Sec. 7. (a) There is hereby created a Public Advisory Board, hereinafter referred to as the Board, which shall advise and consult with the Administrator with respect to general or basic policy matters arising in connection with the Administrator's discharge of his responsibilities. The Board shall consist of the Administrator, who shall be Chairman, and not to exceed twelve additional members to be appointed by the President, by and with the advice and consent of the Senate and who shall be selected from among citizens of the United States of broad and varied experience in matters affecting the public interest, other than officers and employees of the United States (including any agency or instrumentality of the United States) who, as such, regularly receive compensation for current services. The Board shall meet at least once a month and at other times upon the call of the Administrator or when three or more members of the Board request the Administrator to call a meeting. Not more than a majority of two of the members shall be appointed to the Board from the same political party. Members of the Board, other than the Administrator, shall receive, out of funds made available for the purposes of this Act, a per diem allowance of $50 for each day spent away from their homes or regular places of business for the purpose of attendance at meetings of the Board, or at conferences held upon the call of the Administrator, and in necessary travel, and while so engaged, they may be paid actual travel expenses and not to exceed $10 per diem in lieu of subsistence and other expenses.

(b) The Administrator may appoint such other advisory committees as he may determine to be necessary or desirable to effectuate the purposes of this Act.

UNITED STATES SPECIAL REPRESENTATIVE ABROAD

Sec. 8 There shall be a United Stated Special Representative in Europe who shall (a) be appointed

by the President, by and with the advice and consent of the Senate, (b) be entitled to receive the same compensation and allowances as a chief of mission, class 1, within the meaning of the Act of August 13, 1946 (60 Stat. 999), and (c) have the rank of ambassador extraordinary and plenipotentiary. He shall be the representative of the Administrator, and shall also be the chief representative of the United States Government to any organization of participating countries which may be established by such countries to further a joint program for European recovery, and shall discharge in Europe such additional responsibilities as may be assigned to him with the approval of the President in furtherance of the purposes of this Act. He may also be designated as the United States representative on the Economic Commission for Europe. He shall receive his instructions from the Administrator and such instructions shall be prepared and transmitted to him in accordance with procedures agreed to between the Administrator and the Secretary of State in order to assure appropriate coordination as provided by subsection (b) of section 5 of this Act. He shall coordinate the activities of the Chiefs of Special Missions provided for in section 9 of this Act. He shall keep the Administrator, the Secretary of State, the chiefs of the United States diplomatic missions, and the chiefs of the special missions provided for in section 9 of this Act currently informed concerning his activities. He shall consult with the chiefs of all such missions, who shall give him such cooperation as he may require for the performance of his duties under this Act.

SPECIAL ECA MISSIONS ABROAD

Sec. 9. (a) There shall be established in each participating country, except as provided in subsection (d) of this section, a special mission for economic cooperation under the direction of a chief who shall be responsible for assuring the performance within such country of operations under this Act. The chief shall be appointed by the Administrator, shall receive his instructions from the Administrator, and shall report to the Administrator on the performance of the duties assigned to him. The chief of the special mission shall take rank immediately after the chief of the United States diplomatic mission in such country.

(b) The chief of the special mission shall keep the chief of the United States diplomatic mission fully and currently informed on matters, including prospective action, arising within the scope of the operations of the special mission and the chief of the diplomatic mission shall keep the chief of the special mission fully and currently informed on matters relative to the conduct of the duties of the chief of the special mission. The chief of the United States diplomatic mission will be responsible for assuring that the operations of the special mission are consistent with the foreign policy objectives of the United States in such country and to that end whenever the chief of the United States diplomatic mission believes that any action, proposed action, or failure to act on the part of the special mission is inconsistent with such foreign policy objectives, he shall so advise the chief of the special mission and the United States special representative in Europe. If differences of view are not adjusted by consultation, the matter shall be referred to the Secretary of State and the Administrator for decision.

(c) The Secretary of State shall provide such office space, facilities, and other administrative services for the United States Special Representative in Europe and his staff, and for the special mission in each participating country, as may be agreed between the Secretary of State and the Administrator.

(d) With respect to any of the zones of occupation of Germany and of the Free Territory of Trieste, during the period of occupation, the President shall make appropriate administrative arrangement for the conduct of operations under this Act, in order to enable the Administrator to carry out his responsibility to assure the accomplishment of the purposes of this Act.

PERSONNEL OUTSIDE UNITED STATES

Sec. 10. (a) For the purpose of performing functions under this Act outside the continental limits of the United States the Administrator may—

(1) employ persons who shall receive compensation at any of the rates provided for the Foreign Service Reserve and staff by the Foreign Service Act of 1946 (60 Stat. 999), together with allowance and benefits established thereunder; and

(2) recommend the appointment or assignment of persons, and the Secretary of State may appoint or assign such persons, to any class in the Foreign Service Reserve or Staff for the duration of operations under this Act, and the Secretary of State may thereafter assign, transfer, or promote such persons upon the recommendation of the Administrator. Persons so appointed to the Foreign Service Staff shall be entitled to the benefits of section 528 of the Foreign Service Act of 1946.

(b) For the purpose of performing functions under this Act outside the continental limits of the United States, the Secretary of State may, at the request of the Administrator, appoint, for the duration of operations under this Act, alien clerks and employees in accordance with applicable provisions of the Foreign Service Act of 1946 (60 Stat. 999).

(c) Civilian personnel who are citizens or residents of the United States employed or appointed pursuant to this section to perform functions under this Act shall be investigated by the Federal Bureau of Investigation which shall make a report thereof to the appointing authority as soon as possible: *Provided, however,* That they may temporarily assume their posts and perform their functions after preliminary investigation and clearance by the Administrator or the Secretary of State, as the case may be, but such employment may be terminated after the receipt of the report of the Federal Bureau of Investigation.

NATURE AND METHOD OF ASSISTANCE

Sec. 11. (a) The Administrator may, from time to time, furnish assistance to any participating country by providing for the performance of any of the functions set forth in paragraphs (1) through (6) of this subsection when he deems it to be in furtherance of the purposes of this Act, and upon the terms and conditions set forth in this Act and such additional terms and conditions consistent with the provisions of this Act as he may determine to be necessary and proper.

(1) Procurement from any source, including Government stocks, of any commodity which he determines to be required for the furtherance of the purposes of this Act. As used in this Act, the term "commodity" means any commodity, material, article, supply, or goods necessary for the purposes of this Act.

(2) Processing, storing, transporting, and repairing any commodities, or performing any other services with respect to a participating country which he determines to be required for accomplishing the purposes of this Act. The Administrator shall, in providing for the procurement of commodities under authority of this Act, take such steps as may be necessary to assure, so far as is practicable, that at least 50 per centum of the gross tonnage of commodities, procured within the United States out of funds made available under this Act and transported abroad on ocean vessels, is so transported on United States flag vessels to the extent that such vessels are available at market rates.

(3) Procurement of and furnishing technical information and assistance.

(4) Transfer of any commodity or service, which transfer shall be signified by delivery of the custody and right of possession and use of such commodity, or otherwise making available any such commodity, or by rendering a service to a participating country or to any agency or organization representing a participating country.

(5) the allocation of commodities or services to specific projects designed to carry out the purposes of this Act, which have been submitted to the Administrator by participating countries and have been approved by him.

(b) The Administrator may provide for the performance of any of the functions described in subsection (a) of this section—

(1) by establishing accounts against which, under regulations prescribed by the Administrator—

(i) letters of commitment may be issued in connection with supply programs approved by the Administrator (and such letters of commitment, when issued, shall constitute obligations of applicable appropriations); and

(ii) withdrawals may be made by participating countries, or agencies or organizations representing participating countries, upon presentation of contracts, invoices, or other documentation specified by the Administrator.

Such accounts may be established on the books of the Administration, or any other department, agency, or establishment of the Government specified by the Administrator, or, on terms and conditions approved by the Secretary of the Treasury, in banking institutions in the United States. Expenditures of funds which have been made available through accounts so established shall be accounted for on standard documentation required for expenditures of Government funds: *Provided,* That such expenditures for commodities or services procured outside the continental limits of the United States under authority of this section may be accounted for exclusively on such certification as the Administrator may prescribe to assure expenditure in furtherance of the purposes of this Act, and such certification shall be binding on the accounting officers of the Government.

(2) by utilizing the services and facilities of any department, agency, or establishment of the Government as the President shall direct, or with the consent of the head of such department, agency, or establishment, or, in the President's discretion, by

acting in cooperation with the United Nations or with other international organizations or with agencies of the participating countries, and funds allocated pursuant to this section to any department, agency, or establishment of the Government shall be established in separate appropriation accounts on the books of the Treasury.

(3) by making, under rules and regulations to be prescribed by the Administrator, guaranties to any person of investments in connection with projects approved by the Administrator and the participating country concerned as furthering the purposes of this Act, which guaranties shall terminate not later than fourteen years from the date of enactment of this Act: *Provided*, That

(i) the guaranty to any person shall not exceed the amount of dollars invested in the project by such person with the approval of the Administrator and shall be limited to the transfer into United States dollars of other currencies, or credits in such currencies, received by such person as income from the approved investment, as repayment or return thereof, in whole or in part, or as compensation for the sale or disposition of all or any part thereof;

(ii) the total liabilities assumed under such guaranties shall not exceed 5 per centum of the total funds appropriated for the purposes of this Act and any liabilities accruing under such guaranties shall be defrayed within the limits of funds so appropriated; and

(iii) as used in this paragraph, the term "person" means a citizen of the United States or any corporation, partnership, or other association created under the law of the United States or of any State or Territory and substantially beneficially owned by citizens of the United States.

(4)(i) By making, under rules and regulations prescribed by the Administrator, guaranties to any person or government in the Western Hemisphere with respect to credits any such person or government may grant for commodities and services to be transferred, with approval of the Administrator, to a participating country: *Provided*, That guaranties to governments in the Western Hemisphere shall not exceed 70 per centum of the credits so extended by any such government: *And provided further*, That the Administrator determines that the use of this method of guaranteeing credits, as opposed to this method of direct procurement and delivery to participating countries, will not substantially prejudice the extension or validity of credits or loans by other governments, by the International Bank for Reconstruction and Development, or by private persons, where such credits or loans have been, or in the future might be, prudently made without such guaranty, considering the capacity of the several participating countries to repay. In determining whether to provide for the procurement of commodities and services outside the continental limits of the United States, the Administrator shall take into account whether the government of the country in which commodities or services are available for transfer fails to extend such credits or to arrange such prices, terms and conditions as the Administrator considers equitable and prudent in connection with such transfers. In connection with such guaranties, the Administrator, on terms and conditions prescribed by him, may agree to advance dollars on account of such guaranties at the time such exports are made, or at any time not more than ten years after the making of such agreement.

(ii) As used in this paragraph, the term "person" means a citizen of any Western Hemisphere country, or any corporation, partnership, or other association created under the law of any such country or under any political subdivision thereof, and substantially owned by citizens of Western Hemisphere countries.

(c) (1) The Administrator may provide assistance for any participating country, in the form and under the procedures authorized in subsections (a) and (b), respectively, of this section, through grants or upon payment in cash, or on credit terms, or on such other terms of payment as he may find appropriate, including payment by the transfer to the United States (under such terms and in such quantities as may be agreed to between the Administrator and the participating country, of materials which are required by the United States as a result of deficiencies or potential deficiencies in its own resources. In determining whether such assistance shall be through grants or upon terms of payment, and in determining the terms of payment, he shall act in consultation with the National Advisory Council on International Monetary and Financial Problems, and the determination whether or not a participating country should be required to make payment for any assistance furnished to such country in furtherance of the purposes of this Act, and the terms of such payment, if required, shall depend upon the character and purpose of the assistance and upon the capacity of such country to make such payments without jeopardizing the accomplishment of the purposes of this Act.

(2) When it is determined that assistance should be extended under the provisions of this Act on credit terms, the Administrator shall allocate funds for the purpose to the Export Import Bank of Washington, which shall, notwithstanding the provisions of the Export Import Bank Act of 1945 (59 Stat. 526), as amended, make and administer the credit as directed, and on terms specified, by the Administrator in consultation with the National Advisory Council on International Monetary and Financial Problems. The Administrator shall make advances to, or reimburse, the Export Import Bank of Washington for necessary administrative expenses in connection with such credits. The Bank shall deposit into the Treasury of the United States, as miscellaneous receipts, amounts received by the Bank in repayment of principal and interest on any such credits. Credits made by the Export Import Bank of Washington with funds so allocated to it by the Administrator shall not be considered in determining whether the Bank has outstanding at any one time loans and guarantees to the extent of limitation imposed by section 7 of the Export Import Bank Act of 1945 (59 Stat. 529), as amended.

PROTECTION OF DOMESTIC ECONOMY

Sec. 12. (a) The Administrator shall provide for the procurement in the United States of commodities under this Act in such a way as to (1) minimize the drain upon the resources of the United States and the impact of such procurement upon the domestic economy, and (2) avoid impairing the fulfillment of vital needs of the people of the United States.

(b) The procurement of petroleum and petroleum products under this Act shall, to the maximum extent practicable, be made from petroleum sources outside the United States; and, in furnishing commodities under the provisions of this Act, the Administrator shall take fully into account the present and anticipated world shortage of petroleum and its products and the consequent undesirability of expansion in petroleum consuming equipment where the use of alternative fuels or other sources of power is practicable.

(c) In order to assure the conservation of domestic grain supplies and the retention in the United States of by-product feeds necessary to the maintenance of the agricultural economy of the United States, the amounts of wheat and wheat flour produced in the United States to be transferred by grant to the participating countries shall be so determined that the total quantity of wheat used to produce the wheat flour transferred to such countries under this Act shall not be less than 25 per centum of the aggregate of the unprocessed wheat and wheat in the form of flour transferred to such countries under this Act.

(d) The term "surplus agricultural commodity" as used in this section is defined as any agricultural commodity, or product thereof, produced in the United States which is determined by the Secretary of Agriculture to be in excess of domestic requirements. In providing for the procurement of any such surplus agricultural commodity for transfer by grant to any participating country in accordance with the requirements of such country, the Administrator shall, insofar as practicable and where in furtherance of the purposes of this Act, give effect to the following:

(1) The Administrator shall authorize the procurement of any such surplus agricultural commodity only within the United States: *Provided,* That this restriction shall not be applicable (i) to any agricultural commodity, or product thereof, located in one participating country, and intended for transfer to another participating country, if the Administrator, in consultation with the Secretary of Agriculture, determines that such procurement and transfer is in furtherance of the purposes of this Act, and would not create a burdensome surplus in the United States or seriously prejudice the position of domestic producers of such surplus agricultural commodities, or (ii) if, and to the extent that any such surplus agricultural commodity is not available in the United States in sufficient quantities to supply the requirements of the participating countries under this Act.

(2) In providing for the procurement of any such surplus agricultural commodity, the Administrator shall, insofar as practicable and applicable, and after giving due consideration to the excess of any such commodity over domestic requirements, and to the historic reliance of United States producers of any such surplus agricultural commodity upon markets in the participating countries, provide for the procurement of each class or type of any such surplus agricultural commodity in the approximate proportion that the Secretary of Agriculture determines such classes or types bear to the total amount of excess of such surplus agricultural commodity over domestic requirements.

(e) Whenever the Secretary of Agriculture determines that any quantity of any surplus agricultural

commodity, heretofore or hereafter acquired by Commodity Credit Corporation in the administration of its price-support programs, is available for use in furnishing assistance to foreign countries, he shall so advise all departments, agencies, and establishments of the Government administering laws providing for the furnishing of assistance or relief to foreign countries (including occupied or liberated countries or areas of such countries). Thereafter the department, agency, or establishment administering any such law shall, to the maximum extent practicable, consistent with the provisions and in furtherance of the purposes of such law, and where for transfer by grant and in accordance with the requirements of such foreign country, procure or provide for the procurement of such quantity of such surplus agricultural commodity. The sales price paid as reimbursement to Commodity Credit Corporation for any such surplus agricultural commodity shall be in such amount as Commodity Credit Corporation determines will fully reimburse it for the cost to it of such agricultural commodity at the time and place such surplus agricultural commodity is delivered by it, but in no event shall the sales price be higher than the domestic market price at such time and place of delivery as determined by the Secretary of Agriculture, and the Secretary of Agriculture may pay not to exceed 50 per centum of such sales price as authorized by subsection (c) of this section.

(f) Subject to the provisions of this section, but not withstanding any other provision of law, in order to encourage utilization of surplus agricultural commodities pursuant to this or any other Act providing for assistance or relief to foreign countries, the Secretary of Agriculture, in carrying out the purposes of clause (1), section 32, Public Law 320, Seventy-fourth Congress, as amended, may make payments, including payments to any government agency procuring or selling such surplus agricultural commodities, in an amount not to exceed 50 per centum of the sales price (basic free along ship or free on board vessel, United States ports), as determined by the Secretary of Agriculture, of such surplus agricultural commodities. The rescission of the remainder of section 32 funds by the Act of July 30, 1947 (Public Law 266, Eightieth Congress), is hereby canceled and such funds are hereby made available for the purposes of section 32 for the fiscal year ending June 30, 1948.

(g) No export shall be authorized pursuant to authority conferred by section 6 of the Act of July 2, 1940 (54 Stat. 714), including any amendment thereto, of any commodity from the United States to any country wholly or partly in Europe which is not a participating country, if the Secretary of Commerce determines that the supply of such commodity is insufficient (or would be insufficient if such export were permitted) to fulfill the requirements of participating countries under this Act as determined by the Administrator: *Provided, however,* That such export may be authorized if the Secretary of Commerce determines that such export is otherwise in the national interest of the United States.

(h) In providing for the performance of any of the functions described in subsection (a) of section 11, the Administrator shall, to the maximum extent consistent with the accomplishment of the purposes of this Act, utilize private channels of trade.

REIMBURSEMENT TO GOVERNMENT AGENCIES

Sec. 13. (a) The Administrator shall make reimbursement or payment, out of funds available for the purposes of this Act, for any commodity, service, or facility procured under section 11 of this Act from any department, agency, or establishment of the Government. Such reimbursement or payment shall be made to the owning or disposal agency, as the case may be, at replacement cost, or, if required by law, at actual cost, or at any other price, authorized by law and agreed to between the Administrator and such agency. The amount of any reimbursement or payment to an owning agency for commodities, services, or facilities so procured shall be credited to current applicable appropriations, funds, or accounts from which there may be procured replacements of similar commodities or such services or facilities: *Provided,* That such commodities, services, or facilities may be procured from an owning agency only with the consent of such agency: *And provided further,* That where such appropriations, funds, or accounts are not reimbursable except by reason of this subsection, and when the owning agency determines that replacement of any commodity procured under authority of this section is not necessary, any funds received in payment therefore shall be covered into the Treasury as miscellaneous receipts.

(b) The Administrator, whenever in his judgment the interests of the United States will best be served thereby, may dispose of any commodity procured out of funds made available for the purposes of this Act, in lieu of

transferring such commodity to a participating country, (1) by transfer of such commodity, upon reimbursement, to any department, agency, or establishment of the Government for use or disposal by such department, agency, or establishment as authorized by law, or (2) without regard to provisions of law relating to the disposal of Government owned property, when necessary to prevent spoilage or wastage of such commodity or to conserve the usefulness thereof. Funds realized from such disposal or transfer shall revert to the respective appropriation or appropriations out of which funds were expended for the procurement of such commodity.

AUTHORIZATION OF APPROPRIATIONS

Sec. 14. (a) Notwithstanding the provisions of any other law, the Reconstruction Finance Corporation is authorized and directed, until such time as an appropriation shall be made pursuant to subsection (c) of this section, to make advances not to exceed in the aggregate $1,000,000,000 to carry out the provisions of this Act, in such manner, at such time and in such amounts as the President shall determine, and no interest shall be charged on advances made by the Treasury to the Reconstruction Finance Corporation for this purpose. The Reconstruction Finance Corporation shall be repaid without interest from appropriations authorized under this Act for advances made by it hereunder.

(b) Such part as the President may determine of the unobligated and unexpended balances of appropriations or other funds available for the purposes of the Foreign Aid Act of 1947 shall be made available for the purpose of carrying out the purposes of this Act.

(c) In order to carry out the provisions of this Act with respect to those participating countries which adhere to the purposes of this Act, and remain eligible to receive assistance hereunder, they are hereby authorized to be appropriated to the President, from time to time through June 30, 1952, out of any money in the Treasury not otherwise appropriated, such sums as may be necessary to carry out the provisions and accomplish the purposes of this Act: *Provided, however,* That for carrying out the provisions and accomplishing the purposes of this Act for the period of one year following the date of enactment of this Act, there are hereby authorized to be so appropriated not to exceed $5,300,000,000.

(d) Funds made available for the purposes of this Act shall be available for incurring and defraying all necessary expenses incident to carrying out the provisions of this Act, including administrative expenses and expenses for compensation, allowances and travel of personnel, including Foreign Service personnel whose services are utilized primarily for the purposes of this Act, and without regard to the provisions of any other law, for printing and binding, and for expenditures outside the continental limits of the United States for the procurement of supplies and services and for other administrative purposes (other than compensation of personnel) without regard to such laws and regulations governing the obligation and expenditure of government funds, as the Administrator shall specify in the interest of the accomplishment of the purposes of this Act.

(e) The unexpended portions of any deposits which may have been made by any participating country pursuant to section 6 of the joint resolution providing for relief assistance to the people of countries devastated by war (Public Law 84, Eightieth Congress) and section 5 (b) of the Foreign Aid Act of 1947 (Public Law 389, Eightieth Congress) may be merged with the deposits to be made by such participating country in accordance with section 15 (b) (6) of this Act, and shall be held or used under the same terms and conditions as are provided in section 15 (b) (6) of this Act.

(f) In order to reserve some part of the surplus of the fiscal year 1948 for payments thereafter to be made under this Act, there is hereby created on the books of the Treasury of the United States a trust fund to be known as the Foreign Economic Cooperation Trust Fund. Notwithstanding any other provision of law, an amount of $3,000,000,000, out of sums appropriated pursuant to the authorization contained in this Act shall, when appropriated, be transferred immediately to the trust fund, and shall thereupon be considered as expended during the fiscal year 1948, for the purpose of reporting governmental expenditures. The Secretary of the Treasury shall be the sole trustee of the trust fund and is authorized and directed to pay out of the fund such amounts as the Administrator shall duly requisition. The first expenditures made out of the appropriations authorized under this Act in the fiscal year 1949 shall be made with funds requisitioned by the Administrator out of the trust fund until the fund is exhausted, at which time such fund shall cease to exist. The provisions of this subsection shall not be construed as affecting the application of any provision

of law which would otherwise govern the obligation of funds so appropriated or the auditing or submission of accounts of transactions with respect to such funds.

BILATERAL AND MULTILATERAL UNDERTAKINGS

Sec. 15. (a) The Secretary of State, after consultation with the Administrator, is authorized to conclude, with individual participating countries or any number of such countries or with an organization representing any such countries, agreements in furtherance of the purposes of this Act.

(b) The provision of assistance under this Act results from the multilateral pledges of the participating countries to use all their efforts to accomplish a joint recovery program based upon self-help and mutual cooperation as embodied in the report of the Committee of European Economic Cooperation signed at Paris on September 22, 1947, and is contingent upon continuous effort of the participating countries to accomplish a joint recovery program through multilateral undertakings and the establishment of a continuing organization for this purpose. In addition to continued mutual cooperation of the participating countries in such a program, each such country shall conclude an agreement with the United States in order for such country to be eligible to receive assistance under this Act. Such agreement shall provide for the adherence of such country to the purposes of this Act and shall, where applicable, make appropriate provision, among others, for—

(1) promoting industrial and agricultural production in order to enable the participating country to become independent of extraordinary outside economic assistance; and submitting for the approval of the Administrator, upon his request and whenever he deems it in furtherance of the purposes of this Act, specific projects proposed by such country to be undertaken in substantial part with assistance furnished under this Act, which projects, whenever practicable, shall include increased production of coal, steel, transportation facilities, and food;

(2) taking financial and monetary measures necessary to stabilize its currency, establish or maintain a valid rate of exchange, to balance its governmental budget as soon as practicable, and generally to restore or maintain confidence in its monetary system;

(3) cooperating with other participating countries in facilitating and stimulating an increasing interchange of goods and services among the participating countries and with other countries and cooperating to reduce barriers to trade among themselves and with other countries;

(4) making efficient and practical use, within the framework of a joint program for European recovery, of the resources of such participating country, including any commodities, facilities, or services furnished under this Act, which use shall include, to the extent practicable, taking measures to locate and control, in furtherance of this program, assets, and earnings therefrom, which belong to the citizens of such country and which are situated within the United States, its Territories and possessions;

(5) facilitating the transfer to the United States by sale, exchange, barter, or otherwise for stock piling purposes, for such period of time as may be agreed to and upon reasonable terms and in reasonable quantities, of materials which are required by the United States as a result of deficiencies or potential deficiencies in its own resources, and which may be available in some participating country after due regard for reasonable requirements for domestic use and commercial export of such country;

(6) placing in a special account a deposit in the currency of such country, in commensurate amounts and under such terms and conditions as may be agreed to between such country and the Government of the United States, when any commodity or service is made available through any means authorized under this Act, and is not furnished to the participating country on terms of payment. Such special account, together with the unexpended portions of any deposits which may have been made by such country pursuant to section 6 of the joint resolution providing for relief assistance to the people of countries devastated by war (Public Law 84, Eightieth Congress) and section 5 (b) of the Foreign Aid Act of 1947 (Public Law 389, Eightieth Congress), shall be held or used only for such purposes as may be agreed to between such country and the administrator in consultation with the National Advisory Council on International Monetary and Financial Problems, and under agreement that any unencumbered balance remaining in such account on June 30, 1952, will be disposed of within such country for such purposes as may, subject to approval by Act or joint resolution of the Congress, be agreed to between such country and the Government of the United States;

(7) publishing in such country and transmitting to the United States not less frequently than every calendar quarter after the date of the agreement, full statements of operations under the

agreement, including a report of the use of funds, commodities, and services received under this Act; and

(8) furnishing promptly, upon request of the United States, any relevant information which would be of assistance to the United States in determining the nature and scope of operations and the use of assistance provided under this Act.

(c) Notwithstanding the provisions of subsection (b) of this section, the Administrator, during the three months after the date of enactment of this Act, may perform with respect to any participating country any of the functions authorized under this Act which he may determine to be essential in furtherance of the purposes of this Act, if such country (1) has signified its adherence to the purposes of this Act and its intention to conclude an agreement pursuant to subsection (b) of this section, and (2) he finds that such country is complying with the applicable provisions of subsection (b) of this section: *Provided,* That, notwithstanding the provisions of this subsection, the Administrator may, through June 30, 1948, provide for the transfer of food, medical supplies, fibers, fuel, petroleum and petroleum products, fertilizer, pesticides, and seed to any country of Europe which participated in the Committee of European Economic Cooperation and which undertook pledges to the other participants therein, when the Administrator determines that the transfer of any such supplies to any such country is essential in order to make it possible to carry out the purposes of this Act by alleviating conditions of hunger and cold and by preventing serious economic retrogression.

(d)The Administrator shall encourage the joint organization of the participating countries referred to in subsection (b) of this section to ensure that each participating country makes sufficient use of the resources of such country, including any commodities, facilities, or services furnished under this Act, by observing and reviewing such use through an effective follow-up system approved by the joint organization.

(e) It is the understanding of the Congress that, in accordance with agreements now in effect, prisoners of war remaining in participating countries shall if they so freely elect be repatriated prior to January 1, 1949....

Text of the "Freedom Support Act"

In the Senate of the United States April 7 (legislative day, March 26), 1992 Mr. Pell introduced the following bill; which was read twice and referred to the Committee on Foreign Relations

A BILL (S. 2532)
Entitled the "Freedom for Russia and Emerging Eurasian Democracies and Open Markets Support Act".

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

Section 1. Title.
This Act may be cited as the "Freedom for Russia and Emerging Eurasian Democracies and Open Markets Support Act of 1992".

Sec. 2. Findings.
The Congress finds that—

(1) recent developments in Russia and the other independent states of the former Soviet Union present a historic opportunity for a transition to a peaceful and stable international order and the integration of the independent states of the former Soviet Union into the community of democratic nations;

(2) the entire international community has a vital interest in the success of this transition, and the dimension of the problems now faced in the independent states of the former Soviet Union makes it imperative for donor countries and institutions to provide the expertise and support necessary to ensure continued progress on economic and political reforms;

(3) the United States is especially well-positioned because of its heritage and traditions to make a substantial contribution to this transition by building on current technical cooperation, medical and food assistance programs, and by fostering conditions that will encourage the United States business community to engage in trade and investment; and

(4) failure to meet the opportunities presented by these developments could threaten United States national security interests and jeopardize substantial savings in United States defense that these developments have made possible.

Sec. 3. Definition.
As used in this Act, except where the context indicates otherwise, the term "independent states of the former Soviet Union" shall include the independent states that formerly were part of the Soviet Union. It includes Armenia, Azerbaijan, Byelarus, Georgia, Kazakhstan, Kyrgystan, Moldova, Russia, Tajikistan, Turkmenistan, Ukraine and Uzbekistan; it does not include Estonia, Latvia, or Lithuania.

Sec. 4. Policy.

(a) IN GENERAL.—It should be the policy of the United States to facilitate the integration of the independent states of the former Soviet Union into the community of democratic nations, and to make a substantial contribution to the purposes described in section 5 by building on earlier initiatives, including ongoing technical cooperation, medical and food assistance programs. In furtherance of these purposes, the United States should support economic and political reform through the provision of assistance, as well as the promotion of United States trade and investment in those states and other efforts to normalize economic relations.

(b) PROVISION OF ASSISTANCE.—In providing assistance for the independent states of the former Soviet Union, the President should take into account the extent to which such states are taking appropriate steps toward—

(1) establishment of democratic systems based on principles of the rule of law and individual freedoms;

(2) respect for internationally recognized human rights, based on full respect for the individual and including equal treatment for persons belonging to minority groups;

(3) economic reform based on market principles, the development of a substantial private sector and integration into the world economy;

(4) respect for international law and obligations, and adherence to the principles of the Helsinki Final Act and the Charter of Paris; and

(5) adherence to responsible security policies, including non-proliferation of weapons of mass destruction and non-proliferation of destabilizing conventional weapons.

Sec. 5. Purposes of Assistance.
In furtherance of the policies described in section 4, funds authorized to be appropriated by this Act may be made available for the independent states of the former Soviet Union for the purposes of promoting democracy, encouraging free market systems, meeting urgent and other humanitarian needs, fostering demilitarization of the economy and society, defense conversion and related purposes, promoting

development in such sectors as agriculture and energy, promoting bilateral trade and investment, and for such other purposes as the President deems appropriate.

Sec. 6. Extraordinary Nature of Assistance.
The Congress recognizes that—

(1) change throughout the independent states of the former Soviet Union is occurring rapidly but unevenly, and it will remain impossible to anticipate with certainty how United States assistance would best serve to facilitate the processes of political and economic reform in each of these independent states;

(2) the varying pace of reform and change from region to region will affect in ways that cannot now be anticipated how and where United States assistance can be provided most effectively;

(3) the effectiveness of United States assistance depends on efficient coordination of United States efforts with the similar activities of friendly and allied donor countries, and of international financial institutions;

(4) the development and implementation of United States assistance and related programs should be carried out in a manner to promote the strengthening of United States bilateral relations with the independent states of the former Soviet Union;

(5) expanded trade and investment is the best method of promoting market reforms in the independent states of the former Soviet Union while at the same time promoting the involvement of United States businesses in the emerging private sector in those states;

(6) such trade and investment will generate strong employment and other economic benefits for the United States as the economies of the independent states of the former Soviet Union begin in future years to realize their enormous potential as both customers and suppliers; and

(7) the pace and unprecedented nature of events requires that the President be provided with the authority to furnish United States assistance and resources expeditiously if the United States is to be able to influence events as they occur and effectively promote the purposes of this Act.

Sec. 7. Assistance and Related Activities.

(a) AUTHORITY.—The President is authorized to furnish assistance in order to promote the purposes described in section 5, including assistance for—

(1) support for the creation and development of democratic political systems;

(2) support for the creation and development of private enterprise and free market systems, including technical assistance and training for individuals and appropriate institutions in the basics of business (such as the Special American Business Internship Training Program), public administration, commercial law, and improving understanding of how market economies function, and including support for multilateral efforts to promote macroeconomic stabilization through activities such as support for a stabilization fund or funds;

(3) creation of the conditions for expanded trade and investment, which will be crucial to the development of market economies and genuine private sectors;

(4) support for demilitarization of the society and economy of the independent states of the former Soviet Union and the conversion of defense-related industry and equipment for civilian purposes and uses, and for public and private efforts to absorb effectively defense-related industry personnel into the civilian sector;

(5) improvements in the agricultural sector, including in food distribution and transportation systems to enhance the ability of the independent states of the former Soviet Union to use their own resources to meet basic needs;

(6) promotion of investment in and increased efficiency of the energy sector, which would help the independent states of the former Soviet Union increase hard currency earnings in the medium term, as well as conservation of natural resources and other environment and ecology activities, and support for nuclear reactor safety;

(7) support in addressing emergency and other humanitarian needs of the people of the independent states of the former Soviet Union during the period of transition to a free market economy, particularly by providing technical assistance to enhance the ability of those states to meet future needs in this area;

(8) support for activities that will facilitate efforts connected with the withdrawal and relocation of military forces of the former Soviet Union; preventing the diversion of scientific expertise of the former Soviet Union to terrorist groups or third countries; storing, transporting, safeguarding, disabling and taking other measures to prevent the proliferation of nuclear, chemical and other weapons, including in appropriate circumstances having the United States purchase or otherwise receive such weapons or related material; establishing verifiable safeguards against the proliferation of such weapons;

and other efforts designed to reduce the nuclear threat from the former Soviet Union; and

(9) support for educational and cultural exchange programs between the United States and the independent states of the former Soviet Union, including support for programs of the United States Information Agency, and support for "America Houses" in key locations in such states designed as focal points for exchanges of people and information to and from the United States.

(b) PROMOTING INVOLVEMENT OF UNITED STATES PRIVATE SECTOR. – It is the sense of the Congress that the private sector in the United States needs to become increasingly involved in the process of transition taking place in the independent states of the former Soviet Union if reform efforts are to succeed. Accordingly, the President should and is authorized to undertake activities designed to promote the active involvement of the United States private sector, including as appropriate through –

(1) initiatives designed to encourage small- and medium-sized businesses to become involved in the markets of those states, including as appropriate the use of trade missions and other trade promotion techniques, establishment of small- and medium-sized business consortia, the establishment of a central information clearinghouse similar in function to the Eastern Europe Business Information Center, the establishment of information networks and assistance centers including one or more American Business and Management Centers, and the activities of the Department of Commerce and the Trade and Development Program;

(2) support, which may include contributions to an endowment, for one or more Enterprise Funds that help promote United States investment in the private sector of those states, for a "Eurasia Foundation" or similar organizations to provide funds for management and economics training, democratic institution building and other technical assistance including assistance for demonstration projects by American businesses, and for mechanisms designed to enhance the ability of the independent states of the former Soviet Union to acquire the services of private United States citizens needed to help meet technical assistance needs, as well as support through programs of the Overseas Private Investment Corporation and the Department of Commerce;

(3) support, which may include contributions to an endowment, for the "Citizens Democracy Corps" or other appropriate organizations, the purposes of which include utilizing United States citizens having appropriate experience to provide assistance at all levels within the independent states of the former Soviet Union to build democratic institutions, free market economies, and the basic infrastructure of a civil society; to mobilize private United States citizens to participate in such activities; and to establish local centers or work with the "America Houses" described in subsection (a)(9) in such countries in making available logistical and information resources;

(4) technical assistance designed to help normalize economic relations and increase trade between the independent states of the former Soviet Union and the United States, including through seminars on most-favored-nation treatment of goods and services and, when appropriate, the Generalized System of Preferences; and

(5) support for efforts by those states to join or participate in international economic and financial organizations such as the General Agreement on Tariffs and Trade, the Organization for Economic Cooperation and Development, the International Monetary Fund, the International Bank of Reconstruction and Development, and the European Bank for Reconstruction and Development.

(c) PROVISION OF ASSISTANCE. –

(1) AUTHORIZATION OF APPROPRIATIONS. – There are authorized to be appropriated to the President for fiscal years 1992 and 1993 such sums as may be necessary to carry out this Act, in addition to amounts otherwise available for such purposes. Funds authorized to be appropriated by this Act are authorized to remain available until expended.

(2) ASSISTANCE UNDER THE FOREIGN ASSISTANCE ACT. – The President should and is authorized to utilize funds made available to carry out the Foreign Assistance Act of 1961, as amended, for programs for the independent states of the former Soviet Union, including utilization of funds under chapter 1 of part I of that Act for development activities in those states consistent with the purposes of that chapter, and of funds under chapter 4 of part II of that Act. Any funds made available under chapter 4 of part II of that Act may be utilized on the same basis as funds authorized to be appropriated by paragraph (1).

(3) APPLICATION OF AUTHORITIES UNDER THE SEED ACT. – In futherance of the purposes of this Act, and consistent with the provisions of section 8 of this Act, the President may authorize any United States Government agency that has authority under the Support for East European Democracy (SEED) Act of 1989 to take SEED Actions for any eligible East European country under that Act

to utilize such authority, and to make available any funds available to it for activities related to international affairs outside Eastern Europe, to take comparable actions with respect to any of the independent states of the former Soviet Union. For purposes of this Act, the term "United States Government agency" shall include any agency as defined in section 644(a) of the Foreign Assistance Act of 1961.

(4) DIRECT LOAN AND LOAN GUARANTEE AUTHORITIES.— Funds authorized to be appropriated by this Act may be utilized to cover the cost, including the cost of modifying such loans, as defined in section 502 of the Congressional Budget Act of 1974, of direct loans and loan guarantees with respect to the independent states of the former Soviet Union, including loan guarantees provided consistent with the provisions of section 108 of the Foreign Assistance Act of 1961, as amended, title IV of chapter 2 of part I of that Act, and the Export-Import Bank Act of 1945, as amended, and to cover the administrative expenses for such direct loans and loan guarantees.

(5) DEPARTMENT OF DEFENSE ACTIVITIES.— In recognition of the direct contributions that such activities can make to the national defense interests of the United States, the President is authorized to make available such sums as may be necessary of funds made available under sections 108 and 109 of Public Law 102-229, and of funds made available to carry out the provisions of section 23 of the Arms Export Control Act, to carry out the provisions of subsections (a)(4) and (a)(8).

(6) AUTHORITIES.— In order to assist in meeting the administrative costs incurred in connection with carrying out functions under this Act, of the funds authorized to be appropriated by this Act, such sums as may be necessary may be used for administrative expenses of United States Government agencies in connection with administering programs in futherance of the purposes of this Act. Assistance may be provided and authorities may be exercised for the purposes of this Act notwithstanding any other provision of law, including any program ceilings on loan, guarantee or insurance programs contained in the Foreign Assistance Act of 1961, as amended, or in annual foreign operations, export financing, and related programs appropriations acts. In making available funds authorized to be appropriated under this Act the President may utilize any of the authorities applicable to the provision of assistance under the Foreign Assistance Act of 1961, as amended, and to programs for which appropriations are made in annual foreign operations, export financing, and related programs appropriations acts.

(d) In recognition of the importance of establishing an effective official United States Government presence in the independent states of the former Soviet Union, of the funds authorized to be appropriated by this Act, such sums as may be necessary may be used by the Department of State for costs of personnel and other expenses for new posts in such states.

Sec. 8. Coordination of Activities.

The effectiveness of United States efforts to promote a successful transition to democracy and market-oriented economies in the independent states of the former Soviet Union requires that assistance and related programs of all United States Government agencies affecting those states be carefully coordinated. At the same time, it is critical that all assistance and related efforts of United States Government agencies be coordinated with other aspects of our bilateral relations, with the assistance and related programs of other countries and institutions, and with United States foreign policy in general. Accordingly, the Congress commends the steps taken by the President to ensure effective coordination of all activities that the United States Government conducts in futherance of the purposes of this Act.

Sec. 9. Quota Increase for International Monetary Fund.

In recognition of the critical contribution that the activities of the International Monetary Fund can make to the purposes of this Act, the Bretton Woods Agreements Act is amended by adding at the end thereof the following new sections:

SEC.56. QUOTA INCREASE. "The Congress endorses consent by the United States Governor of the Fund to an increase in the quota of the United States in the Fund equivalent to 8,608,500,000 Special Drawing Rights, limited to such amounts as are appropriated in advance in appropriation Acts."

SEC.57. ACCEPTANCE OF AMENDMENTS TO THE ARTICLES OF AGREEMENT OF THE FUND. "The Congress endorses consent by the United States Governor of the Fund to the amendments to the Articles of Agreement of the Fund approved in resolution numbered 45-3 of the Board of Governors of the Fund."

SEC.58. APPROVAL OF FUND PLEDGE TO SELL GOLD TO PROVIDE RESOURCES FOR THE RESERVE ACCOUNT OF THE ENHANCED STRUCTURAL ADJUSTMENT FACILITY TRUST.

"The Congress endorses instruction by the Secretary of the Treasury of the United States Executive Director of the Fund to vote to approve the Fund's pledge to sell, if needed, up to 3,000,000 ounces of the Fund's gold, to restore the resources of the Reserve Account of the Enhanced Structural Adjustment Facility Trust to a level that would be sufficient to meet the obligations of the Trust payable to lenders which have made loans to the Loan Account of the Trust that have been used for the purpose of financing programs to Fund members previously in arrears to the Fund."

Sec.10. Support for Macroeconomic Stabilization.

(a) IN GENERAL.— In order to promote macroeconomic stabilization and the integration of the independent states of the former Soviet Union into the international financial system, the United States should in appropriate circumstances take a leading role in organizing and supporting multilateral efforts at macroeconomic stabilization and debt rescheduling, conditioned on the appropriate development and implementation of comprehensive economic reform programs.

(b) CURRENCY STABILIZATION.— In futherance of the purposes and consistent with the conditions described in subsection (a), the Congress expresses its support for United States participation, in sums of up to $3,000,000,000, in a currency stabilization fund or funds for the independent states of the former Soviet Union.

Sec. 11. Role of International Finance Corporation.

(a) SENSE OF THE CONGRESS.— It is the sense of the Congress that the International Finance Corporation can play an important role in supporting the economic restructuring in the independent states of the former Soviet Union necessary to move toward market economies. The United States could play a critical role in enabling the International Finance Corporation to leverage the contributions of donors and increase its access to international capital markets, thereby promoting the purposes of this Act. Accordingly, it is the sense of Congress that the President should seek to ensure that the International Finance Corporation provides an ambitious lending program for the independent states of the former Soviet Union.

(b) AUTHORIZATION.— The Congress endorses voting by the United States Governor of the International Finance Corporation for any increase of capital stock of the Corporation that may be needed to accommodate the requirements of the independent states of the former Soviet Union.

Sec.12. COCOM Restrictions.

The Congress commends recent efforts that have resulted in a substantial reduction of the number of items the export of which is restricted under COCOM procedures. It is the sense of the Congress that efforts to reduce the number of items the export of which is restricted under COCOM procedures should be continued as an important step in further facilitating expanded trade and investment between the United States and the independent states of the former Soviet Union.

Sec.13. Establishment of Science and Technology Centers.

It is the sense of the Congress that the President should initiate negotiations for the establishment in Ukraine of a center, similar to the center presently contemplated for Russia, for the purpose of promoting science and technology projects for nonmilitary purposes. Such a center would minimize incentives for weapons scientists and engineers of the former Soviet Union, particularly scientists and engineers previously involved in the design and production of nuclear, biological, and chemical weapons, and other weapons of mass proliferation of such weapons by supporting the activities for peaceful purposes of such scientists and engineers. It is the further sense of the Congress that the President should utilize the authorities described in sections 7(a)(4) and 7(a)(8) of this Act to make available appropriate support for such a center.

Sec.14. Statutory Lists of Communist Countries and Soviet-Specific Restrictions.

(a) FOREIGN ASSISTANCE ACT OF 1961.— Section 620(f)(1) of the Foreign Assistance of 1961 is amended by striking form the list at the end thereof "Czechoslovak Socialist Republic.", "Estonia.", "German Democratic Republic.", "Hungarian People's Republic.", "Latvia.", "Lithuania.", "People's Republic of Albania.", "People's Republic of Bulgaria.", "Polish People's Republic.", "Socialist Federal Republic of Yugoslavia.", "Socialist Republic of Romania.", and "Union of Soviet Socialist Republics (including its captive constituent republics).".

(b) EXPORT-IMPORT BANK ACT OF 1945.— The Export-Import Bank Act of 1945 is amended in section 2(b)2(B)(ii), by striking from the list at the end thereof "Czechoslovak Socialist Republic.", "Estonia.", "German Democratic Republic.", "Hungarian People's Republic.", "Latvia.", "Lithuania.", "People's Republic of Albania.", "People's Republic of Bulgaria.", "Polish People's Republic.", "Socialist

Federal Republic of Yugoslavia.", "Socialist Republic of Romania.", and "Union of Soviet Socialist Republics (including its captive constituent republics).".

(c) SPECIAL RESTRICTIONS ON PERSONS INVOLVED IN LEGAL COMMERCIAL TRANSACTIONS.— Section 951(e)(2) of title 18, United States Code, is amended by striking out "the Soviet Union, the German Democratic Republic, Hungary, Czechoslovakia, Poland, Bulgaria, Romania, or".

(d) OTHER OBSOLETE PROVISIONS.—Upon concluding that doing so is in the national interest of the United States, the President may waive the application with respect to any of the independent states of the former Soviet Union of any provision of law that would have restricted the eligibility of the Soviet Union, by name, or by virtue of actions or obligations of the Soviet Union as it existed prior to December 25, 1991, and that might otherwise be construed to apply to such republic or republics, with respect to any program, benefit or other treatment. This subsection shall not be construed as authorizing waivers of the provisions of title IV of the Trade Act of 1974, as amended.

Sec.15. Additional Statutory Provisions.

(a) OVERSEAS PRIVATE INVESTMENT CORPORATION.—Section 234(g)(2) of the Foreign Assistance Act of 1961 is amended—

(1) by striking out "or" and inserting a comma in lieu thereof"; and

(2) inserting ", and the independent states of the former Soviet Union" after the word "Act".

(b) AMENDMENTS TO FOOD SECURITY ACT OF 1985.—Section 1110(b) of the Food Security Act of 1985 is amended by—

(1) striking out "or cooperatives" and inserting in lieu thereof "cooperatives, or other private entities"; and

(2) inserting after "such countries" the phrase ", including the independent states of the former Soviet Union".

(c) FOOD, AGRICULTURE, CONSERVATION, AND TRADE ACT OF 1990.— Section 1542 of the Food, Agriculture, Conservation, and Trade Act of 1990 is amended—

(1) in subsection (b), by inserting ", services, and agricultural goods and materials" after the word "facilities";

(2) in subsection (d)(1)(B)(i), by inserting ", farmers, other persons from the private sector," after "agricultural consultants"; and

(3) by amending subsection (d)(1)(D) to read as follows:

"(4) TECHNICAL ASSISTANCE.—The President is authorized to provide, or pay the necessary costs for, technical assistance to enable individuals or other entities to implement the recommendations, or carry out the opportunities and projects identified under, paragraph (1)(A).".

(d) OTHER PROVISIONS APPLICABLE TO AGRICULTURE PROGRAMS.—

(1) FOOD SECURITY ACT OF 1985.—The ceiling limitation contained in section 1110(g) of the Food Security Act of 1985 shall not apply with respect to commodities furnished from stocks of the Commodity Credit Corporation during fiscal years 1992 and 1993 to the independent states of the former Soviet Union.

(2) AGRICULTURAL TRADE DEVELOPMENT AND ASSISTANCE ACT OF 1954.— For fiscal years 1992 and 1993, the ceiling limitation contained in section 202(e)(1) of the Agricultural Trade Development and Assistance Act of 1954, as amended, shall not apply with respect to programs for the independent states of the former Soviet Union. Any funds made available under that Act may be made available under 202(e)(1) to assist private voluntary organizations and cooperatives in establishing new food assistance programs for those states under provisions of law other than title II of that Act, as well as for the purposes described in paragraphs (A) and (B) of that section.

(3) AGRICULTURAL TRADE ACT OF 1978.— The Secretary of Agriculture, in carrying out his responsibilities under section 202(f) of the Agricultural Trade Act of 1978, shall take into account the major economic reforms that have been and are occurring in the independent states of the former Soviet Union and the substantial enhancement in the international financial standing of those states to which such reforms can be expected to lead, as well as the contribution that guarantee programs of the Commodity Credit Corporation for these states can be expected to make in these circumstances to the purposes described in section 202(c) and 202(d) of that Act, with a view toward maintaining a substantial guarantee program to promote the export of United States agricultural commodities in those states.

(e) RESTRICTIONS ON IMPORTS FROM THE SOVIET UNION.— To the extent consistent with title IV of the Trade Act of 1974, as amended, the President is authorized and encouraged to exempt any of the independent states of the former Soviet Union

from any statutory or regulatory restrictions on the importation of goods and services into the United States, to the extent that such restrictions are more stringent with respect to goods and services of such states than restrictions applicable to like goods and services of other friendly countries in similar circumstances.

(f) IMET PROGRAMS.– It is the sense of the Congress that the President should utilize funds made available for chapter 5 of part II of the Foreign Assistance Act of 1961 to provide education and training that is designed to foster greater respect for and understanding of the principle of civilian control of the military in the independent states of the former Soviet Union.

(g) PERSONNEL AUTHORITIES.– In addition to any other authorities available to them, United States Government agencies carrying out programs in furtherance of the purposes of this Act may employ United States citizens or organizations by contract for services abroad, and individuals so employed shall not, by virtue of such employment, be considered to be employees of the United States Government for the purposes of any law administered by the Office of Personnel Management, except that the President may determine the applicability to such individuals of any law concerning the employment of individuals abroad, including the Federal Torts Claim Act.

Suggested Readings

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